

## AUDITING PROCEDURES REPORT

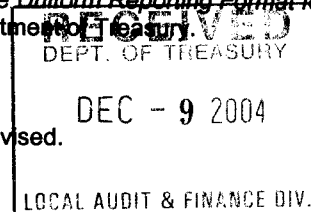
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Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other	Local Government Name City of Jackson, Michigan	County Jackson
Audit Date June 30, 2004	Opinion Date October 27, 2004	Date Accountant Report Submitted to State: December 7, 2004

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

# City of Jackson 2004

**Comprehensive  
Annual  
Financial  
Report**



**Fiscal Year Ended June 30, 2004**

# **CITY OF JACKSON, MICHIGAN**

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## **Comprehensive Annual Financial Report**

**For The Fiscal Year Ended June 30, 2004**

**Including  
Single Audit Act Compliance**

**Prepared by :**

**Philip J. Hones, Finance Director  
Steven P. Maga, Staff Accountant**

**City of Jackson, Michigan**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2004**

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# INTRODUCTORY SECTION



## FINANCE DEPARTMENT

161 West Michigan Avenue — Jackson, Michigan 49201  
Telephone: (517) 788-4030 — Facsimile: (517) 768-5857

October 27, 2004

**To the Honorable Mayor, Members of the City Council  
and Citizens of the City of Jackson:**

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Jackson for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Jackson. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.



## **Profile of the Government**

The City of Jackson was founded in 1829, incorporated as a city in 1857 and became a Home Rule City in 1914. It is located in south-central Michigan. The City currently has a land area of approximately 10 square miles and a population of 36,218 based on the 2000 census. The City is an industrial and commercial oriented community serving as a principal business, marketing, and cultural center for the surrounding suburban and agricultural territory. The government is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the Council-Manager form of government. The Mayor is elected on a non-partisan, at-large basis. The six council members are elected on a non-partisan, city ward basis. A ballot proposal passed by the voters on November 6, 2001 staggered and extended the terms of council members elected by ward to four years. The Mayor continues to serve two-year terms. The City Treasurer is also elected on a non-partisan at-large basis. This position serves a four-year term. The City Manager, City Clerk, City Assessor and City Attorney are appointed by the Council for indefinite terms and serve at the pleasure of the Council.

Policymaking and legislative authorities are vested in the City Council. The Council is responsible, among other things, for passing ordinances and resolutions; making public policy decisions; confirming the appointments of department heads; adopting annual budgets; appointing boards, commissions, and committees; approving contracts; authorizing real estate transactions; approving payments; awarding bids; selling personal property; and hiring the government's manager, clerk, assessor and attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for supervising the day-to-day operations of the government, and for appointing the heads of the government's departments.

The City of Jackson provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; sanitary sewage treatment and disposal; water treatment and distribution; economic development; recreational activities; and cultural events.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Jackson operates.

**Local economy.** The City of Jackson currently enjoys a somewhat limited but gradually diversifying economy that has demonstrated growth in the last decade. Because of its central location, Jackson provides access to employment opportunities in Lansing, Battle Creek and Ann Arbor.

The local economy in Jackson County continued to have increased successes throughout late 2003 and through October 2004 as the economy began to rise. Overall successes show that 11 firms committed to hire 84 new employees within the next 24 months and make investments of \$17,322,511 within the City of Jackson. These expansions occurred in addition to the countywide estimates for a total of 25 firms making an investment of \$62,049,769 in new investment; plus, the creation of 755 new related jobs.

Major industries with headquarters or divisions located within the City include a statewide gas and electric utility, aerospace, automobile and industrial component manufacturers, retail sales and several financial institutions.

**Longterm financial planning.** The City's ad valorem assessed value has grown 10.3% annually, on average, since fiscal 2000 to \$715 million, while market value has had similar gains, increasing 11.4% on average, in the same time frame, to nearly \$1.8 billion. Additionally, both assessed value and market value can be expected to show more moderate gains in the future as new development continues and tax abatements expire and roll-on to the tax base.

In order to bolster economic growth in the city, Jackson began a process in 2000 of designating incentive zones to draw businesses inside its borders. The city formed several renaissance zones, thereby providing a tax incentive to help create new business sites and jobs. Currently, the City of Jackson has the largest Renaissance Zone development in the State of Michigan with the construction of Kinder Morgan Energy completed in July 2002 with their \$250 million state-of-the-art energy facility. Businesses that chose to reside within the incentive zones would initially be exempt from paying certain property taxes. However, the city's tax base has had significant gains in recent history, due to ancillary development around the zones and the gradual expiration of property tax abatements.

Continued residential development also looks favorable for the future. The Community Development Department is promoting residential development through their Rental Rehabilitation Program that has invested over \$ 400,000 into converting commercial units into loft-style residential units. A pending grant application would add an additional \$600,000 for this type of development if approved. In addition, the New Neighbor Program has invested over \$ 500,000 to purchase 14 tax reverted and foreclosed homes that have been or will be ultimately rehabilitated and sold, thus providing funding for further rehabilitation. Tax incentive programs such as the Neighborhood Enterprise Zone and Obsolete Property Rehabilitation District have also encouraged nearly \$ 8 million in residential development and further development using these incentive programs that are in process.

These favorable trends are counterbalanced, in large measure, however, by other factors. The increase in the assessed value of taxable property in the City has been constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5 percent or the rate of inflation, whichever is less). Taken together, these fiscal factors create a trend toward ever tightening budgets under which the City must operate.

Another continuing financial challenge for the City is the escalating costs of insurance - both for employees/retirees as well as property and liability. Greater revenue growth or cost containment measures will be necessary to mitigate future stress on City finances. In addition, while the State's economy has somewhat stabilized in recent months, the recent declines in the distribution of State shared revenues has and continues to produce a substantial amount of fiscal anxiety. Together, these two issues impose increasing burdens on the City's fiscal structure and pose a possible peril to the long-term stability of City finances.

**Cash management policies and practices.** The City is conservative in its approach to cash management. Generally, cash is deposited upon receipt in interest bearing accounts. Cash from various funds may then be transferred into a governmental pool in accordance with State statutes to maximize investment earnings. Investment income is allocated to the various funds based upon their respective participation. Cash that is temporarily in excess of meeting the daily cash flow demands of the City is invested in certificates of deposit with maturities ranging from 30 to 90 days, unless matched to a specific cash flow requirement, where the maturity may be longer. This is in conformity with the City's investment policy to provide the highest return with the maximum security. The City's permanent fund's cash are generally invested in U.S. government-backed securities while Pension Trust Fund assets are invested in corporate stocks and bonds, mutual funds, United States government-backed securities, cash and cash equivalents in conformance with state statute. These investments are consistent with the City's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio.

**Risk management** Under a comprehensive plan of risk management, the City maintains property and liability insurance coverage through commercial carriers and the Michigan Municipal League insurance pools. The City currently has a self-insurance program for its workers compensation.

**Pension and other postemployment benefits.** The City administers three defined benefit pension plans – Employees’ Retirement System, Policemen’s and Firemen’s Pension and Policemen’s and Firemen’s Pension-Act 345 – for its full-time employees. Each year, an independent actuary is engaged by each of the three employee retirement systems and calculates the amount of the annual contribution that the City must make to each pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year’s annual required contribution to each of the pension plans as determined by the actuary. The City had succeeded as of June 30, 2003, the date of the latest actuary reports, in funding 111.1 percent, 71.1 percent and 59.1 percent, respectively, of the present value of the projected benefits earned by employees in each of the plans. The surplus/unfunded amounts are being systematically amortized over varying time periods ranging from 7 to 18 years as part of the annual required contributions calculated for each plan by the actuary.

The City also provides postretirement health care benefits for retirees and their dependents. As of the end of the current fiscal year, there were approximately 104 retired employees receiving these benefits, which are funded as incurred. GAAP do not require governments to report a liability in the financial statements in connection with an employer’s obligation to provide these benefits. Additional information on the City’s retirement system and postemployment benefits can be found in Note 4-E in the notes to the financial statements.

#### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jackson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the thirteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City of Jackson. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Jackson’s finances.

Respectfully submitted,



Philip J. Hones  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Jackson,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

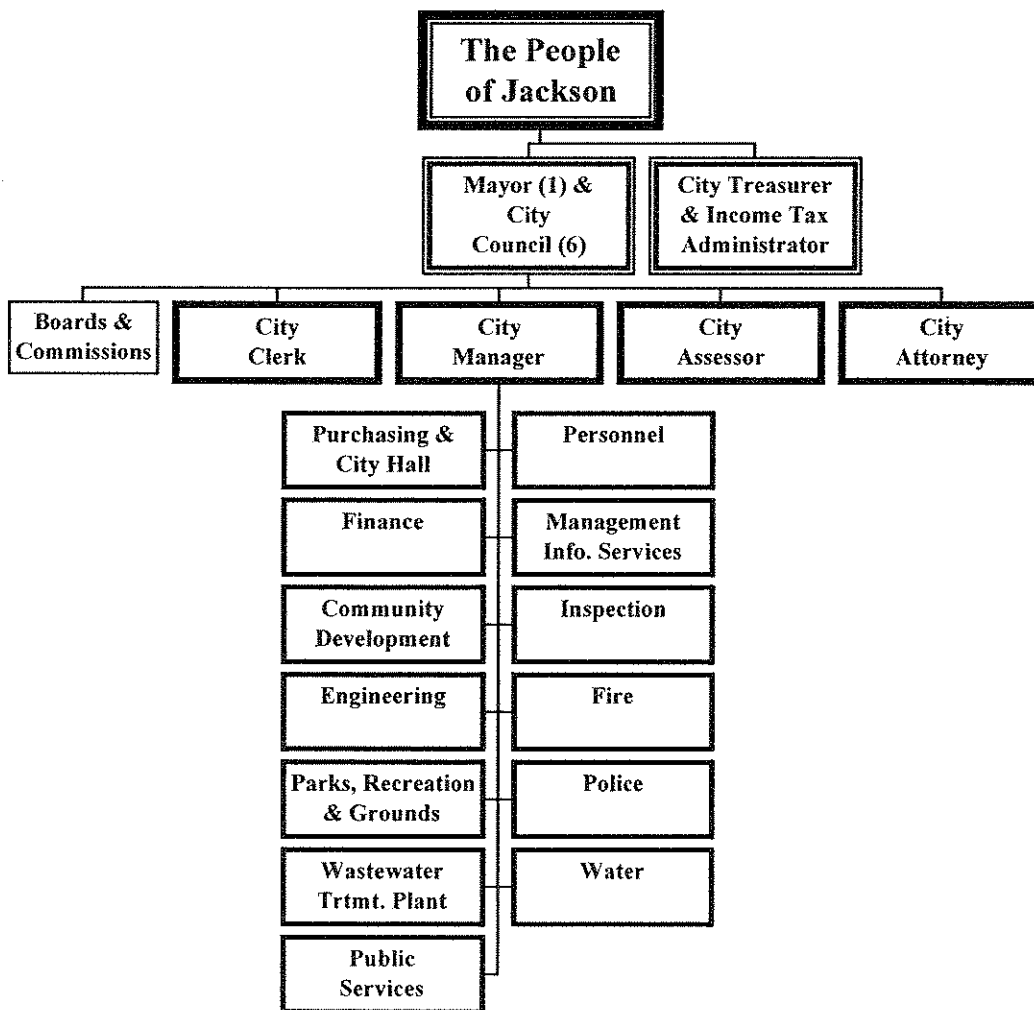
President

*Jeffrey R. Emer*

Executive Director



# City of Jackson, Michigan Organizational Chart



**City of Jackson, Michigan  
List of Principal Officials**



**CITY COUNCIL**

**Martin J. Griffin, Mayor**

Carl L. Breeding  
William Mure  
Daniel P. Greer  
Sarah Mead  
Judy M. Dupuis  
Jerry F. Ludwig

1st Ward  
2nd Ward  
3rd Ward  
4th Ward  
5th Ward  
6th Ward

**CITY OFFICIALS**

**William R. Ross, City Manager**

Catherine M. Brechtelsbauer  
Glenn Chinavare  
Jon Dowling  
Larry Bosell  
Julius Giglio  
Philip J. Hones  
C. Jan Markowski  
Brian O'Connor  
James Parrott  
Ervin L. Portis  
Lynn Fessel  
Paul Vermaaten  
Andrew J. Wrozek, Jr.

Director of Personnel  
Director of Public Services  
City Engineer  
Acting Fire Chief  
City Attorney  
Finance Director  
City Assessor  
Assistant City Manager/Economic Development Director  
Director of Parks, Recreation & Grounds  
Police Chief  
City Clerk  
Director of Sewage Treatment Services & Facilities  
City Treasurer/Income Tax Administrator

## FINANCIAL SECTION



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

October 27, 2004

Honorable Mayor and  
Members of the City Council  
City of Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Jackson, Michigan*, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jackson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jackson, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2004, on our consideration of the City of Jackson, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The Management's Discussion and Analysis on pages 3-14 and the GASB Statement 25 supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jackson's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the City of Jackson. The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis

As management of the *City of Jackson, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$98,457,960 (*net assets*). Of this amount, \$21,604,583 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$356,184.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,470,649, an increase of \$5,524,053 in comparison with the prior year. Approximately 80% of this total amount, or \$16,379,466, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,998,657, or 14.2 percent of total general fund expenditures.
- The City's total bonded debt increased by \$8,765,000 during the current fiscal year; \$10,000,000 in new debt was issued and \$1,235,000 of existing debt was retired.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include legislative, general government, public safety, public works, culture and recreation and community enrichment and development. The business-type activities of the City include the golf practice center, parking system and water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate authorities – the Downtown Development Authority and the Brownfield Redevelopment Authority – for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The City of Jackson Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Street, Community Development Block Grant, Special Assessment Capital Projects and 2003 City Hall Construction funds, each of which are considered to be major funds. Data from the other thirty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-27 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses three major enterprise funds to account for its sanitary sewer, water distribution and parking deck operations while the operations of the City's Golf Practice Center and its remaining parking system are considered non-major and are combined into a single, aggregated presentation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its workers compensation self-insurance, data processing equipment, motor pool and garage operations as well as public works and engineering administration. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. All of the City's internal service funds are non-major and individual fund data is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewage and water operations and parking deck, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 28-31 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-58 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 59-61 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 62-98 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jackson, assets exceeded liabilities by \$98,457,960 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (70 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City's of Jackson's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$27,947,852	\$22,058,337	\$15,383,618	\$14,211,854	\$43,331,470	\$36,270,191
Capital assets	60,406,451	77,314,344	57,544,587	38,136,403	117,951,038	115,450,747
Total assets	88,354,303	99,372,681	72,928,205	52,348,257	161,282,508	151,720,938
Long term liabilities outstanding	54,240,272	44,732,620	5,304,726	6,010,641	59,544,998	50,743,261
Other liabilities	2,620,946	3,485,670	658,604	820,701	3,279,550	4,306,371
Total liabilities	56,861,218	48,218,290	5,963,330	6,831,342	62,824,548	55,049,632
<b>Net assets:</b>						
Invested in capital assets, net of related debt	17,246,524	39,044,014	52,374,587	32,381,403	69,621,111	71,425,417
Restricted	5,785,257	3,764,369	1,447,009	1,490,472	7,232,266	5,254,841
Unrestricted	8,461,304	8,346,008	13,143,279	11,645,040	21,604,583	19,991,048
<b>Total Net Assets</b>	<b>\$31,493,085</b>	<b>\$51,154,391</b>	<b>\$66,964,875</b>	<b>\$45,516,915</b>	<b>\$98,457,960</b>	<b>\$96,671,306</b>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$356,184 during the current fiscal year. The majority of this growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

### City of Jackson's Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenue:</b>						
Program revenues:						
Charges for services	\$ 3,489,305	\$ 3,010,853	\$10,828,680	\$10,871,202	\$14,317,985	\$13,882,055
Operating grants and contributions	5,616,389	6,361,454	-	-	5,616,389	6,361,454
Capital grants and contributions	1,405,094	3,802,848	1,253,130	-	2,658,224	3,802,848
General revenues:						
Property taxes	7,754,736	6,964,585	-	-	7,754,736	6,964,585
Income taxes	6,984,060	6,602,493	-	-	6,984,060	6,602,493
Grants and contributions not restricted to specific purposes	5,895,879	6,434,919	299,455	281,068	6,195,334	6,715,987
Other	359,894	522,960	141,311	209,785	501,205	732,745
<b>Total revenues</b>	<b>31,505,357</b>	<b>33,700,112</b>	<b>12,522,576</b>	<b>11,362,055</b>	<b>44,027,933</b>	<b>45,062,167</b>
<b>Expenses:</b>						
Legislative	76,344	76,713	-	-	76,344	76,713
General government	4,213,894	4,365,163	-	-	4,213,894	4,365,163
Public safety	14,135,744	13,722,166	-	-	14,135,744	13,722,166
Public works	5,793,948	4,582,298	-	-	5,793,948	4,582,298
Culture and recreation	2,267,890	3,284,568	-	-	2,267,890	3,284,568
Community enrichment & development	5,133,149	3,414,818	-	-	5,133,149	3,414,818
Interest on long-term debt	1,916,025	1,676,873	-	-	1,916,025	1,676,873
Golf practice center	-	-	80,487	53,770	80,487	53,770
Parking system	-	-	589,578	225,109	589,578	225,109
Sewer	-	-	4,334,517	4,637,528	4,334,517	4,637,528
Water	-	-	5,130,173	5,339,940	5,130,173	5,339,940
<b>Total expenses</b>	<b>33,536,994</b>	<b>31,122,599</b>	<b>10,134,755</b>	<b>10,276,866</b>	<b>43,671,749</b>	<b>41,399,465</b>
Increase (decrease) in net assets before transfers	(2,031,637)	2,577,513	2,387,821	1,085,189	356,184	3,662,702
Transfers	(105,435)	(117,095)	105,435	117,095	-	-
<b>Increase (decrease) in net assets</b>	<b>(2,137,072)</b>	<b>2,460,418</b>	<b>2,493,256</b>	<b>1,202,284</b>	<b>356,184</b>	<b>3,662,702</b>
<b>Net assets – Beginning of year, as restated for GASB 34</b>	<b>51,154,391</b>	<b>48,693,973</b>	<b>45,516,915</b>	<b>44,314,631</b>	<b>96,671,306</b>	<b>93,008,604</b>
<b>Other restatements at June 30, 2003</b>	<b>(17,524,234)</b>	<b>-</b>	<b>18,954,704</b>	<b>-</b>	<b>1,430,470</b>	<b>-</b>
<b>Net assets – End of year</b>	<b>\$31,493,085</b>	<b>\$51,154,391</b>	<b>\$66,964,875</b>	<b>\$45,516,915</b>	<b>\$98,457,960</b>	<b>\$96,671,306</b>

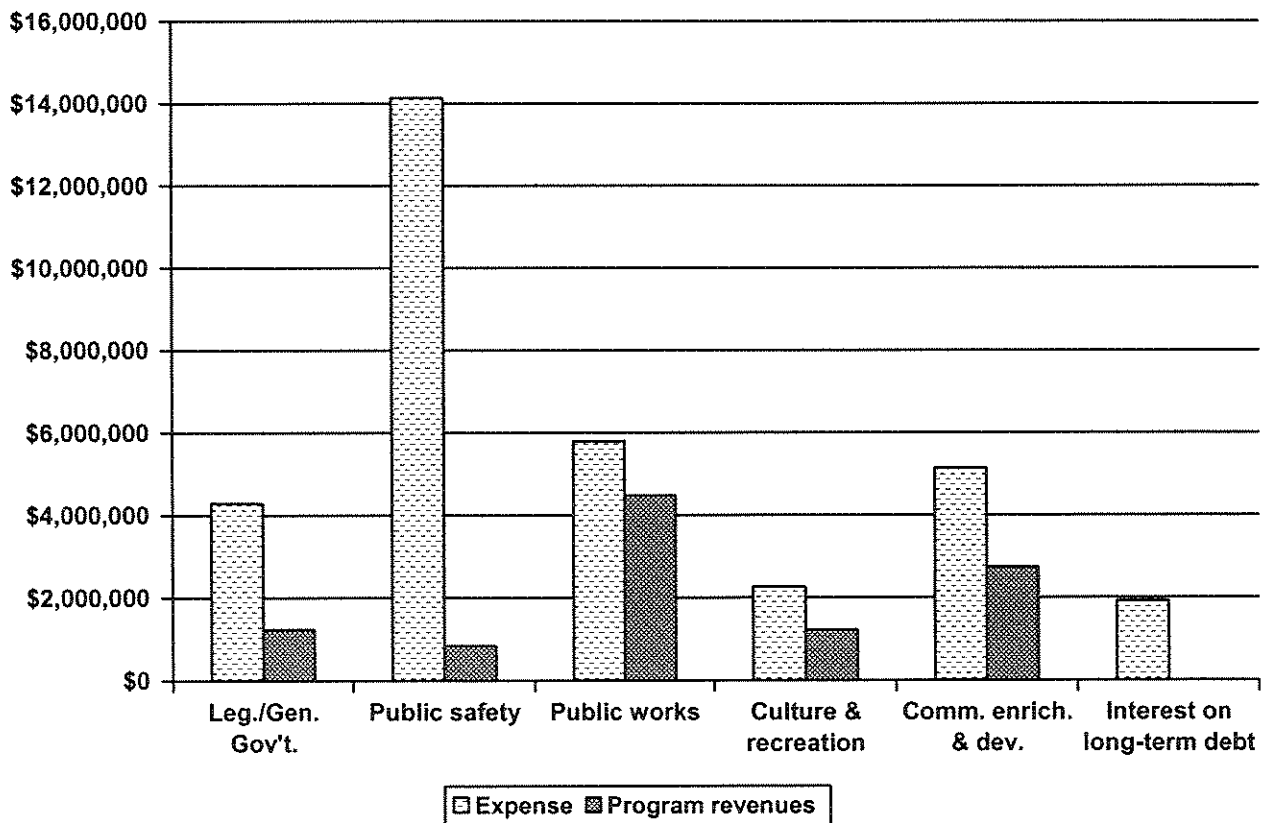
**Governmental activities.** Governmental activities decreased the City's net assets by (\$2,137,072) during fiscal year 2004.

–Key elements of this decrease are as follows:

- Federal grant revenues decreased over \$ 2.8 million. The most significant portion of this decrease is related to the funding of various construction projects in the Major Street Fund, which declined over \$ 2 million.
- Property taxes increased by approximately \$790,000 (11.3 percent) during the year. Most of this increase is the result of newly captured tax increments utilized to finance the Consumers Energy Headquarters Project.
- Income taxes increased approximately \$ 382,000 (5.8 percent) due to higher employment coupled with inflationary wage increases.

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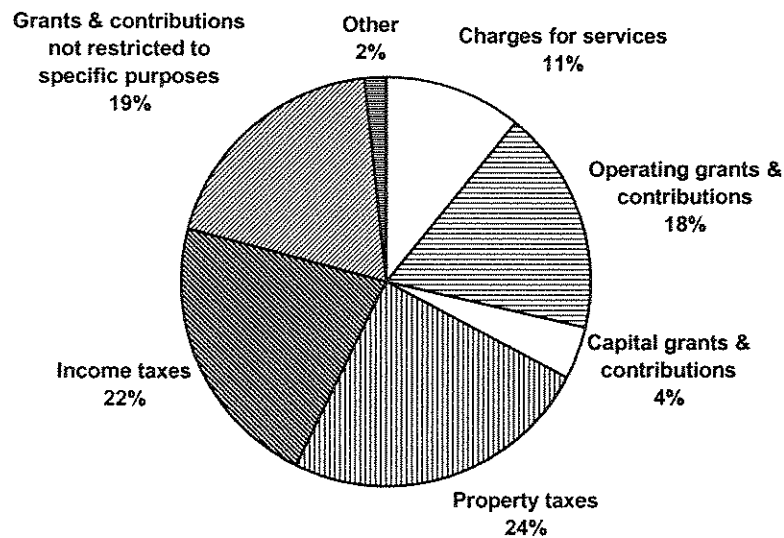
#### Expenses and Program Revenues - Governmental Activities





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## Revenues by Source - Governmental Activities



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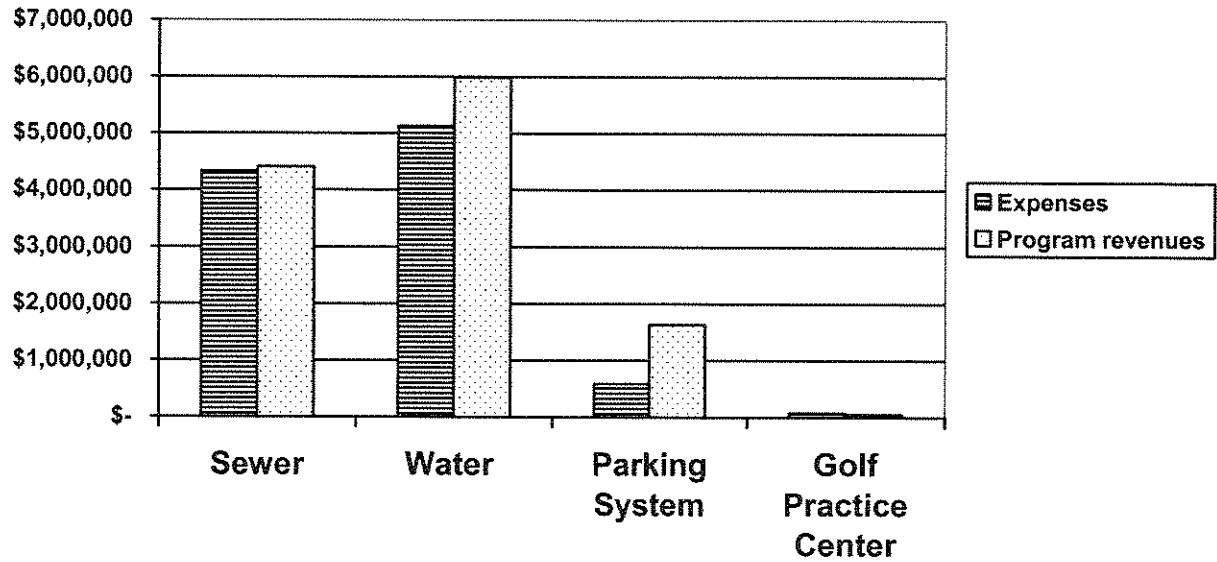
**Business-type activities.** Business-type activities increased the City's net assets by \$2,493,256, offsetting a smaller decrease in net assets in the governmental activities, and thus accounting for all of the total increase in net assets of \$ 356,184.

- Key elements of this increase are as follows:

- Slightly over one-half of the increase was the result of the transfer of current fiscal year capitalized cost of the two parking decks that were completed and previously recorded as construction in progress within the governmental activities.
- The majority of remaining growth, 50 percent, resulted from the degree to which charges for services exceeded ongoing expenses.
- During the fiscal year water and sewer rates were increased an average of 2.5 and 5 percent, respectively.

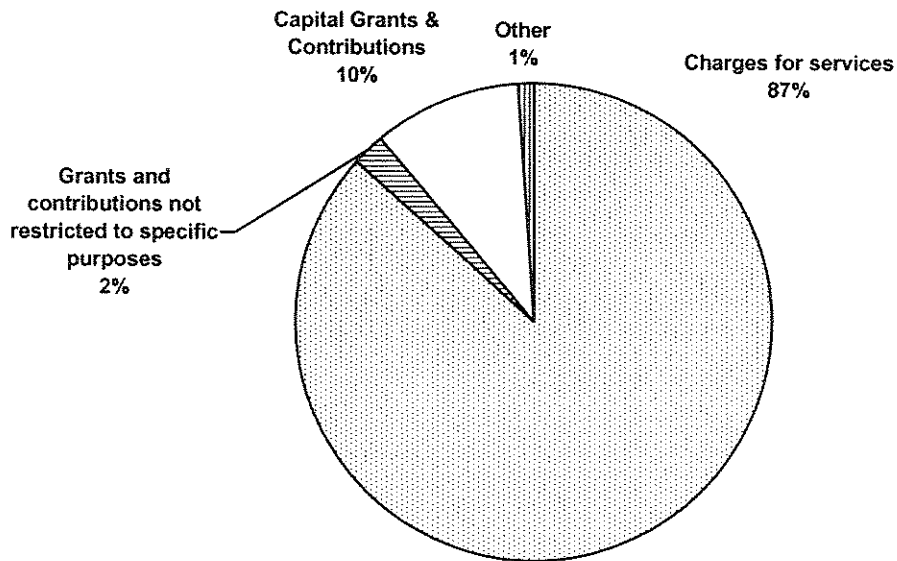
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### Expenses and Program Revenues - Business-type Activities



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### Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,470,649, an increase of \$5,524,053 in comparison with the prior year. Approximately 80% of this total amount (\$16.4 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to generate income for cemetery perpetual care and endowments related to Ella Sharp Park and facilities (\$2,653,808), 2) for residential property rehabilitation loans (\$423,516), 3) for funds advanced on a long term basis from the General Fund to the Community Development Block Grant Fund (\$100,000), or 4) for inventory and prepaid expenditures (\$67,334 and \$846,525, respectively).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,998,657, while total fund balance was \$3,987,966. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.2 percent of total general fund expenditures.

The fund balance of the City's General Fund decreased by only \$2,722 during the current fiscal year. Increases in property and income taxes were somewhat offset by declines in state shared revenues and increases in increases in certain expenditure categories, namely public safety.

The Major Street fund has a total fund balance of \$502,837, which increased by \$218,835 during the year. Final budget estimates anticipated a larger reduction of fund balance, however, this did not materialize due to unforeseen delays attributable to certain projects that will be carried over into the current fiscal year. As a result, the City is expected to use nearly the entire fund balance for these and other projects this current fiscal year.

The Community Development Block Grant Fund had a decrease in fund balance for the current year of (\$713,627), to an ending total of \$423,516. This remaining fund balance is to be utilized for the City's Residential Property Rehabilitation Programs.

The 2003 City Hall Construction Fund has a total fund balance of \$8,389,133. This fund was established during fiscal year 2004 following the voter approved sale of \$ 10 million in bonds to renovate and reconstruct the existing city hall building. It is anticipated that the balance of bond proceeds will be expended in the current fiscal year.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund and Water Fund at the end of the year amounted to \$6,884,858 and \$5,601,878, respectively. The Sewer Fund had an increase in net assets for the year of \$259,507, whereas the Water Fund had an increase of \$1,100,508. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

Differences between the original and final amended budgeted revenues were largely the result of projected declines in the City's state shared revenues subsequent to the adoption of the budget. This change was precipitated by budget cutting measures at the state level affecting all municipalities. Final expenditure budgets declined also in total from the original budget similar in scope to the change in revenues, attributable for the most part to budget decreases in public safety.

While General Fund actual revenues were below budgetary estimates, expenditures were less by an even greater disparity, resulting in a decrease in fund balance of only \$2,722 that was far less than the final amended budget anticipated amount by \$1,234,431.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$117,951,038 (net of accumulated depreciation). This investment in capital assets includes land, systems, land improvements, infrastructure, buildings and improvements, park and recreation facilities, machinery and equipment and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 20.1 percent (a 22 percent decrease for governmental activities and a 51 percent increase for business-type activities).

Major capital asset events during the fiscal year included the following:

- Completion on the construction of two parking garages at a cost of approximately \$19 million and the transfer to the Parking Deck Fund of costs incurred in the BRA TIF Construction Fund and previously recorded as construction in progress.
- Completion of other project costs associated with the Consumers Energy Headquarters Project, and reclassification of those costs from construction in progress to land improvements.
- Initial work of approximately \$ 1.1 million on the City Hall Renovation Project, which is scheduled to be completed by the end of the current fiscal year.
- Various water and sewer improvements totaling approximately \$1.35 million.

### City of Jackson's Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 2,440,383	\$ 2,430,383	\$ 8,956,887	\$ 1,896,043	\$ 11,397,270	\$ 4,326,426
Systems	-	-	31,219,473	31,600,694	31,219,473	31,600,694
Land improvements	15,478,934	3,045,661	2,019,269	493,466	17,498,203	3,539,127
Infrastructure	31,445,039	31,164,864	-	-	31,445,039	31,164,864
Buildings and improvements	3,428,070	2,341,411	11,777,600	507,945	15,205,670	2,849,356
Park and recreation facilities	3,728,642	3,617,930	-	-	3,728,642	3,617,930
Machinery and equipment	2,539,504	2,844,772	3,327,618	3,638,253	5,867,122	6,483,025
Construction in progress	1,345,879	31,869,323	243,740	-	1,589,619	31,869,323
<b>Total</b>	<b>\$60,406,451</b>	<b>\$77,314,344</b>	<b>\$57,544,587</b>	<b>\$38,136,401</b>	<b>\$117,951,038</b>	<b>\$115,450,745</b>

Additional information on the City's capital assets can be found in note 3-C on pages 45-47 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$54,303,577. Of this amount, \$49,773,577 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Jackson's Outstanding Debt**  
General Obligation and Revenue Bonds

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 49,688,577	\$ 40,133,577	\$ -	\$ -	\$ 49,688,577	\$ 40,133,577
Special assessment bonds	85,000	200,000	-	-	85,000	200,000
Revenue bonds	-	-	4,530,000	5,205,000	4,530,000	5,205,000
Total	\$ 49,773,577	\$ 40,333,577	\$ 5,205,000	\$ 5,205,000	\$ 54,303,577	\$ 45,538,577

The City's total bonded debt increased by \$8,765,000 (19 percent) during the current fiscal year. New debt issued included \$10 million in City Hall Fund Bonds and \$1,235,000 in existing bonded debt maturities were retired.

The City has an "A-" rating from Standard & Poor's for general obligation debt. The revenue bonds of the Water Fund have been rated "A2" by Moody's and "A" by Standard & Poor's. The Sewer Fund revenue bonds were not rated.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$90,322,370, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note 3-F on pages 49-52 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2004/05 fiscal year:

- The unemployment rate for the City is currently 8.9 percent (9/04), which is a decrease from a rate of 11.2 percent a year ago. This compares unfavorably to the state's average unemployment rate of 6.6 percent and the national average rate of 5.5 percent. While the City's unemployment rate is comparatively high, the number of unemployed has decreased from 2,150 a year ago to the current level of 1,650.
- Ad valorem taxable values have increased a modest 3.49 percent over the prior fiscal year, which includes both allowable inflationary increases as well as real growth.
- Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the General Fund decreased to approximately \$3 million. The City has appropriated approximately \$1.3 million of this amount for spending in the 2004/05 fiscal year budget. Such appropriation is intended to offset small declines in state shared revenues while attempting to maintain current staffing levels and service commitments to the public.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 161 W. Michigan Avenue, Jackson, Michigan 49201.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS



**City of Jackson, Michigan**  
**Statement of Net Assets**  
**June 30, 2004**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
<b>Assets :</b>					
Cash and cash equivalents	\$ 17,995,681	\$ 12,682,682	\$ 30,678,363	\$ 995,267	\$ 147,175
Investments, at fair value	2,575,598	-	2,575,598	-	-
Receivables, net	6,128,170	2,633,929	8,762,099	-	15,000
Interfund balances	139,775	(139,775)	-	-	-
Prepays and other assets	1,108,628	206,782	1,315,410	-	-
Capital assets not being depreciated	3,786,262	9,200,627	12,986,889	-	-
Capital assets being depreciated, net	56,620,189	48,343,960	104,964,149	-	-
 Total assets	 88,354,303	 72,928,205	 161,282,508	 995,267	 162,175
<b>Liabilities :</b>					
Accounts payable, and accrued liabilities	2,523,411	533,604	3,057,015	-	10,198
Deferred revenue	97,535	125,000	222,535	-	-
Long-term debt:					
Due within one year	1,302,522	653,263	1,955,785	-	-
Due in more than one year	52,937,750	4,651,463	57,589,213	-	-
 Total liabilities	 56,861,218	 5,963,330	 62,824,548	 -	 10,198
<b>Net Assets :</b>					
Invested in capital assets, net of related debt	17,246,524	52,374,587	69,621,111	-	-
Restricted for:					
Debt service	1,502,810	1,447,009	2,949,819	-	-
Capital projects	1,205,123	-	1,205,123	-	-
Endowments - nonexpendable	2,653,808	-	2,653,808	-	-
Residential property rehabilitation	423,516	-	423,516	-	-
Unrestricted	8,461,304	13,143,279	21,604,583	995,267	151,977
 Total net assets	 \$ 31,493,085	 \$ 66,964,875	 \$ 98,457,960	 \$ 995,267	 \$ 151,977

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2004**

Functions/Programs	Expenses	Program Revenue			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense)
<b>Primary government :</b>					
<b>Governmental activities :</b>					
Legislative	\$ 76,344	\$ -	\$ -	\$ -	(76,344)
General government	4,213,894	1,196,457	40,795	-	(2,976,642)
Public safety	14,135,744	424,224	418,133	-	(13,293,387)
Public works	5,793,948	384,866	2,888,584	1,199,139	(1,321,359)
Culture and recreation	2,267,890	1,026,901	197,846	-	(1,043,143)
Community enrichment and development	5,133,149	456,857	2,071,031	206,094	(2,399,167)
Interest on long-term debt	1,916,025	-	-	(139)	(1,916,164)
Total governmental activities	33,536,994	3,489,305	5,616,389	1,405,094	(23,026,206)
<b>Business-type activities :</b>					
Golf practice center	80,487	59,179	-	-	(21,308)
Parking system	589,578	377,332	-	1,253,130	1,040,884
Sewer	4,334,517	4,405,515	-	-	70,998
Water	5,130,173	5,986,654	-	-	856,481
Total business-type activities	10,134,755	10,828,680	-	1,253,130	1,947,055
Total primary government	\$ 43,671,749	\$ 14,317,985	\$ 5,616,389	\$ 2,658,224	\$ (21,079,151)
<b>Component units :</b>					
Brownfield redevelopment	\$ 376,965	\$ -	\$ -	\$ -	(376,965)
Downtown development	178,960	35,772	37,800	-	(105,388)
Total component units	\$ 555,925	\$ 35,772	\$ 37,800	\$ -	(482,353)

continued....

**City of Jackson, Michigan**  
**Statement of Activities (Concluded)**  
**For the Fiscal Year Ended June 30, 2004**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Brownfield Redevelopment Authority	Downtown Development Authority
<b>Net revenue (expense)</b>	\$ (23,026,206)	\$ 1,947,055	\$ (21,079,151)	\$ (376,965)	\$ (105,388)
<b>General revenues :</b>					
Property taxes	7,754,736	-	7,754,736	1,171,332	86,842
Income taxes	6,984,060	-	6,984,060	-	-
Grants and contributions not restricted to specific purposes	5,895,879	299,455	6,195,334	-	6,347
Unrestricted interest earnings	293,528	141,311	434,839	3,553	1,662
Gain on sale of capital assets	66,366	-	66,366	-	-
<b>Transfers</b>	(105,435)	105,435	-	-	-
Total general revenues and transfers	20,889,134	546,201	13,680,599	1,174,885	94,851
Change in net assets	(2,137,072)	2,493,256	356,184	797,920	(10,537)
<b>Net Assets :</b>					
Beginning of year, as restated	33,630,157	64,471,619	98,101,776	197,347	162,514
End of year	\$ 31,493,085	\$ 66,964,875	\$ 98,457,960	\$ 995,267	\$ 151,977

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

**City of Jackson, Michigan**  
**Governmental Funds Balance Sheet**  
**June 30, 2004**

	General	Major Street	Community Development Block Grant	Special Assessment Capital Projects	2003 City Hall Construction Fund	Nonmajor Funds	Totals
<b>Assets :</b>							
Cash and cash equivalents	\$ 1,030,324	\$ 32,752	\$ 289,360	\$ 5,831	\$ 8,625,330	\$ 5,260,510	\$ 15,244,107
Investments at fair value	-	-	-	-	-	2,575,598	2,575,598
Accounts receivables (net of allowances for uncollectibles)							
Taxes receivable	702,309	277,697	-	-	-	62,076	1,042,082
Other receivables	1,685,348	-	-	-	-	-	1,685,348
Due from other funds	-	-	-	740,275	-	47,460	787,735
Due from other governmental units:			13,851	-	95,828	365,645	475,324
State of Michigan	545,062	352,733	-	-	-	117,882	1,015,677
Federal Government	15,701	-	153,397	-	-	-	169,098
Inventories, at cost	54,821	-	-	-	-	12,513	67,334
Prepaid expenditures	834,488	12,037	-	-	-	-	846,525
Restricted assets - cash and cash equivalents	-	-	312,056	-	-	-	312,056
Loans receivable	-	-	1,349,875	-	-	-	1,349,875
Long -term advances to other funds	100,000	-	-	-	-	140,000	240,000
<b>Total assets</b>	<b>\$ 4,968,053</b>	<b>\$ 675,219</b>	<b>\$ 2,118,539</b>	<b>\$ 746,106</b>	<b>\$ 8,721,158</b>	<b>\$ 8,581,684</b>	<b>\$ 25,810,759</b>

Continued

**City of Jackson, Michigan**  
**Governmental Funds Balance Sheet (Concluded)**  
**June 30, 2004**

	General	Major Street	Community Development Block Grant	Special Assessment Capital Projects	2003 City Hall Construction Fund	Nonmajor Funds	Totals
<b>Liabilities and Fund Balances :</b>							
<b>Liabilities :</b>							
Accounts payable	\$ 282,181	\$ 150,923	\$ 224,856	\$ -	\$ 332,025	\$ 53,395	\$ 1,043,380
Accrued payroll	399,417	21,459	20,292	-	-	35,946	477,114
Other liabilities	58,835	-	-	-	-	14,476	73,311
Due to other funds	-	-	-	23,496	-	452,053	475,549
Deferred revenue	2,360	-	1,349,875	740,275	-	123,563	2,216,073
Accrued compensated absences	237,294	-	-	-	-	-	237,294
Long-term advances from:							
General Fund	-	-	100,000	-	-	-	100,000
Workers Compensation Fund	-	-	-	717,389	-	-	717,389
<b>Total liabilities</b>	<b>980,087</b>	<b>172,382</b>	<b>1,695,023</b>	<b>1,481,160</b>	<b>332,025</b>	<b>679,433</b>	<b>5,340,110</b>
<b>Fund Balances (Deficit) :</b>							
Reserved for:							
Residential property rehabilitation programs	-	-	423,516	-	-	-	423,516
Inventory	54,821	-	-	-	-	12,513	67,334
Prepaid expenditures	834,488	12,037	-	-	-	-	846,525
Perpetual care and endowment	-	-	-	-	-	2,653,808	2,653,808
Advances	100,000	-	-	-	-	-	100,000
Unreserved:							
Designated for subsequent year's expenditures	1,303,279	115,971	-	-	-	-	1,419,250
Designated, reported in nonmajor Special revenue funds	-	-	-	-	-	230,259	230,259
Undesignated (deficit)	1,695,378	374,829	-	(735,054)	8,389,133	-	9,724,286
Undesignated, reported in nonmajor :							
Special revenue funds	-	-	-	-	-	1,541,451	1,541,451
Debt service funds	-	-	-	-	-	1,474,422	1,474,422
Capital projects funds	-	-	-	-	-	1,950,428	1,950,428
Permanent funds	-	-	-	-	-	39,370	39,370
<b>Total fund balances (deficit)</b>	<b>3,987,966</b>	<b>502,837</b>	<b>423,516</b>	<b>(735,054)</b>	<b>8,389,133</b>	<b>7,902,251</b>	<b>20,470,649</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 4,968,053</b>	<b>\$ 675,219</b>	<b>\$ 2,118,539</b>	<b>\$ 746,106</b>	<b>\$ 8,721,158</b>	<b>\$ 8,581,684</b>	<b>\$ 25,810,759</b>

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**June 30, 2004**

Fund balances - total governmental funds	\$ 20,470,649
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	145,010,362
Subtract: accumulated depreciation	(85,251,648)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred revenue on loans receivable	1,349,875
Add: deferred revenue on special assessments	768,663

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	3,329,887
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.

Add: unamortized bond discount	148,769
Subtract: bonds, contracts and loans payable	(52,299,577)
Subtract: long term compensated absences	(1,616,290)
Subtract: accrued interest on long-term liabilities	(417,605)

Net assets of governmental activities	<u><u>\$ 31,493,085</u></u>
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The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2004**

	General	Major Street	Community Development Block Grant	Special Assessment Capital Projects	2003 City Hall Construction Fund	Nonmajor Funds	Totals
<b>Revenues :</b>							
Property taxes	\$ 6,023,451	\$ -	\$ -	\$ -	\$ -	\$ 1,872,215	\$ 7,895,666
Income taxes	6,984,060	-	-	-	-	-	6,984,060
Licenses and permits	216,538	-	-	-	-	-	216,538
Intergovernmental :							
Federal grants	91,973	473,007	1,383,026	-	-	768,301	2,716,307
State grants & shared revenues	5,677,601	2,490,836	-	-	-	649,664	8,818,101
Charges for services	1,441,380	-	-	-	-	1,433,627	2,875,007
Fines & forfeits	264,746	-	-	-	-	-	264,746
Special assessments	-	-	-	433,248	-	45,468	478,716
Investment income	73,972	-	5,316	-	71,909	102,256	253,453
Miscellaneous	402,960	212,984	537,598	-	-	300,558	1,454,100
Total revenues	21,176,681	3,176,827	1,925,940	433,248	71,909	5,172,089	31,956,694
<b>Expenditures :</b>							
Current :							
Legislative	76,344	-	-	-	-	-	76,344
General government	4,366,698	-	-	-	-	-	4,366,698
Public safety	13,207,314	-	470,966	-	-	604,000	14,282,280
Public works	1,690,189	3,521,035	-	139	-	968,379	6,179,742
Culture and recreation	1,547,153	-	-	-	-	916,597	2,463,750
Community enrichment and development	254,780	-	1,521,738	-	-	867,852	2,644,390
Capital outlay	-	-	-	-	1,424,447	2,624,551	4,048,998
Debt service:							
Principal retirement	-	-	-	-	-	903,679	903,679
Interest and fiscal charges	-	-	-	-	-	1,659,899	1,659,899
Total expenditures	21,142,478	3,521,035	1,992,724	139	1,424,447	8,544,957	36,625,780
Excess of revenues over (under) expenditures	34,203	(344,208)	(66,784)	433,109	(1,352,538)	(3,372,868)	(4,669,086)
<b>Other Financing Sources (Uses) :</b>							
Proceeds from the sale of notes and bonds	-	-	-	-	9,897,202	472,798	10,370,000
Discount on bond issue	-	-	-	-	(155,531)	-	(155,531)
Proceeds from sale of capital assets	10,624	-	-	-	-	73,481	84,105
Transfers in	271,834	1,005,980	-	-	-	3,350,373	4,628,187
Transfers (out)	(319,383)	(442,937)	(646,843)	(333,581)	-	(2,990,878)	(4,733,622)
Total other financing sources (uses)	(36,925)	563,043	(646,843)	(333,581)	9,741,671	905,774	10,193,139
Net change in fund balances	(2,722)	218,835	(713,627)	99,528	8,389,133	(2,467,094)	5,524,053
<b>Fund Balances (Deficit) - Beginning of year</b>	3,990,688	284,002	1,137,143	(834,582)	-	10,369,345	14,946,596
<b>Fund Balances (Deficit) - End of year</b>	\$ 3,987,966	\$ 502,837	\$ 423,516	\$ (735,054)	\$ 8,389,133	\$ 7,902,251	\$ 20,470,649

The accompanying notes are an integral part of these financial statements.



**City of Jackson, Michigan**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2004**

Net change in fund balances - total governmental funds \$ 5,524,053

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	4,885,433
Add: gain on sale of capital assets	66,366
Subtract: proceeds from sale of capital assets	(84,105)
Subtract: depreciation expense	(2,544,848)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: current year special assessment receipts	(140,930)
Subtract: current year loan receivable receipts	(80,750)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	903,679
Add: bond discount	155,531
Subtract: bond proceeds received	(10,370,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: prior year accrued interest on bonds	173,540
Subtract: current year accrued interest on bonds	(417,605)
Subtract: amortization of bond discount	(6,762)
Subtract: increase in the accrual of compensated absences	(69,625)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service funds	71,362
Subtract: net operating loss from governmental activities accounted for in internal service funds	(197,112)
Subtract: interest expense reported in internal service funds	(5,299)

Change in net assets of governmental activities	\$ (2,137,072)
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The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Revenues :</b>					
Property taxes	\$ 6,028,963	\$ 6,040,963	\$ 6,023,451	\$ (17,512)	\$ 5,621,528
Income taxes	7,000,000	7,000,000	6,984,060	(15,940)	6,602,493
Licenses & permits	216,100	220,708	216,538	(4,170)	218,273
Intergovernmental:					
Federal grants	13,626	47,538	91,973	44,435	157,457
State shared revenues & grants	5,905,130	5,720,793	5,677,601	(43,192)	5,875,137
Charges for services	1,516,433	1,581,027	1,441,380	(139,647)	1,425,226
Fines & forfeits	263,575	259,500	264,746	5,246	250,233
Investment income	125,000	95,000	73,972	(21,028)	90,810
Miscellaneous	472,523	424,001	402,960	(21,041)	150,201
Total revenues	21,541,350	21,389,530	21,176,681	(212,849)	20,391,358
<b>Expenditures :</b>					
<b>Current:</b>					
<b>Legislative :</b>					
City Council	76,390	77,540	76,344	(1,196)	76,713
<b>General Government :</b>					
City Manager	465,499	452,051	438,012	(14,039)	430,549
City Clerk - Elections	104,093	114,938	104,984	(9,954)	88,044
Finance	361,560	361,560	353,542	(8,018)	340,415
City Assessor	371,301	366,972	360,415	(6,557)	345,064
City Attorney	417,614	417,614	403,987	(13,627)	400,547
City Clerk	186,449	184,774	184,750	(24)	189,842
Personnel	308,359	304,309	291,417	(12,892)	298,096
Purchasing	168,309	161,259	161,470	211	148,912
City Treasurer	265,735	270,535	263,609	(6,926)	250,658
City Income Tax Administration	212,016	263,639	253,216	(10,423)	238,633
Management Information Services	319,286	407,389	407,733	344	313,811
City Hall & Grounds	349,804	299,284	299,640	356	388,150
Cemeteries	381,368	381,368	382,338	970	409,207
Unallocated	703,639	664,209	461,585	(202,624)	590,290
	4,615,032	4,649,901	4,366,698	(283,203)	4,432,218
<b>Public Safety :</b>					
<b>Police :</b>					
General	7,785,590	7,574,873	7,380,865	(194,008)	7,293,243
Youth Services Unit	257,208	217,208	201,611	(15,597)	193,184
Resident Officer	239,664	239,664	236,880	(2,784)	
NFBP Grant	-	44,742	44,741	(1)	43,772
STEP Grant	2,066	48,121	47,097	(1,024)	56,387
JCCAE Grant	1,856	7,789	7,783	(6)	6,764
MCOLES Training	-	1,684	675	(1,009)	-
In-Service Training	15,930	15,930	7,740	(8,190)	9,682
<b>Fire :</b>					
Administration	417,105	363,733	263,632	(100,101)	336,884
Suppression	4,158,331	4,070,576	4,003,272	(67,304)	3,910,438
Prevention	196,981	61,101	22,023	(39,078)	132,532
Training	188,770	164,683	160,754	(3,929)	133,146
Police & Fire - Unallocated	762,341	776,341	769,301	(7,040)	480,945
Emergency Measures	75,000	60,741	60,940	199	61,474
Total Public Safety	14,100,842	13,647,186	13,207,314	(439,872)	12,658,451

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**City of Jackson, Michigan**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual (Continued)**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004				
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Expenditures (concluded):</b>					
<b>Current (concluded) :</b>					
<b>Public Works :</b>					
Tax Property Maintenance	\$ 96,458	\$ 96,458	\$ 67,561	\$ (28,897)	\$ 66,100
Civic Affairs	160,622	190,500	103,563	(86,937)	154,701
Drains at Large	92,900	82,200	58,614	(23,586)	40,058
Storm Drain Construction	109,800	78,025	46,320	(31,705)	26,303
Grounds Maintenance	286,000	399,719	300,140	(99,579)	260,834
Sidewalk Construction	298,954	283,954	123,642	(160,312)	128,029
Street Lighting	379,721	371,836	353,530	(18,306)	351,640
Forestry	509,516	623,356	610,131	(13,225)	533,798
Weed Control	50,403	51,903	21,914	(29,989)	30,918
Emergency Equipment	7,927	7,650	4,774	(2,876)	209
Sewer Maintenance	385,000	-	-	-	386,374
New Sewer Construction	623,862	-	-	-	861,545
New Water Construction	859,000	-	-	-	1,276,236
	3,860,163	2,185,601	1,690,189	(495,412)	4,116,745
Less : Reimbursement from other funds :					
Sewer Maintenance	(385,000)	-	-	-	(386,373)
New Sewer Construction	(623,862)	-	-	-	(861,546)
New Water Construction	(859,000)	-	-	-	(1,276,237)
Total Public Works	1,992,301	2,185,601	1,690,189	(495,412)	1,592,589
<b>Culture &amp; Recreation :</b>					
Parks & Recreation Administration	624,660	632,510	623,014	(9,496)	636,963
Recreation - Millage Programs	205,746	195,000	167,537	(27,463)	207,537
Parks & Facilities Maintenance	515,817	518,317	509,562	(8,755)	456,423
Lt. Nixon Memorial Pool	174,568	183,468	139,405	(44,063)	168,546
Sharp Park Swimming Pool	123,317	125,106	107,635	(17,471)	118,943
Total Culture & Recreation	1,644,108	1,654,401	1,547,153	(107,248)	1,588,412
<b>Community Enrichment &amp; Development :</b>					
Planning	126,950	184,771	141,175	(43,596)	183,016
DDA and Equity Grants	37,800	37,800	37,800	-	47,800
Historical District	41,995	41,595	48,363	6,768	31,989
Human Relations	49,491	27,885	27,442	(443)	51,632
Total Community Enrichment & Development	256,236	292,051	254,780	(37,271)	314,437
Total General Fund Expenditures	22,684,909	22,506,680	21,142,478	(1,364,202)	20,662,820
Excess of revenues over (under) expenditures	(1,143,559)	(1,117,150)	34,203	1,151,353	(271,462)

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**City of Jackson, Michigan**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual (Concluded)**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004					
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2003 Actual	
<b>Other Financing Sources (Uses) :</b>						
Proceeds from sale of capital assets	\$ 15,760	\$ 15,760	\$ 10,624	\$ (5,136)	\$ 131,309	
<b>Transfers in :</b>						
Public Improvement Fund	199,800	168,025	68,589	(99,436)	116,303	
Budget Stabilization Fund	16,000	12,000	7,253	(4,747)	11,343	
Community Development Block Grant Fund	131,000	131,000	131,000	-	17,000	
Cemetery Perpetual Maintenance Fund	65,000	65,000	64,992	(8)	69,747	
<b>Transfers (out) :</b>						
Local Street Fund	(5,000)	(5,000)	(5,000)	-	-	
Housing Initiative Fund	(70,000)	(50,000)	(50,000)	-	-	
Land Acquisition Fund	-	(150,000)	(150,000)	-	-	
Local Law Enforcement Block Grant Fund	-	(7,003)	(7,003)	-	(8,325)	
Capital Projects Fund	-	-	-	-	(6,000)	
Ella W. Sharp Park Operating	-	-	(18,500)	(18,500)	-	
Building Department	(329,626)	(280,905)	(70,000)	210,905	(225,000)	
Parking Assessment Fund	(30,000)	(18,880)	(18,880)	-	(29,819)	
Total other financing sources (uses)	(7,066)	(120,003)	(36,925)	83,078	76,558	
Net change in fund balances	(1,150,625)	(1,237,153)	(2,722)	1,234,431	(194,904)	
<b>Fund Balance - Beginning of Year</b>	3,990,688	3,990,688	3,990,688	-	4,185,592	
<b>Fund Balance - End of Year</b>	\$ 2,840,063	\$ 2,753,535	\$ 3,987,966	\$ 1,234,431	\$ 3,990,688	

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Major Street Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004					2003 Actual
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget		
<b>Revenues :</b>						
Intergovernmental :						
Federal grants	\$ 2,373,513	\$ 788,927	\$ 473,007	\$ (315,920)	\$	2,532,180
State grants	-	684,089	227,106	(456,983)		-
Gas & weight tax distribution	1,875,503	1,932,790	2,078,020	145,230		1,932,790
Trunkline maintenance reimbursement	180,978	204,269	185,710	(18,559)		253,426
Investment income	-	-	-	-		3,370
Miscellaneous	69,285	110,626	212,984	102,358		77,090
Total revenues	4,499,279	3,720,701	3,176,827	(543,874)		4,798,856
<b>Expenditures :</b>						
<b>Current :</b>						
<b>Public works</b>						
Street construction	1,275,415	2,327,598	1,109,655	(1,217,943)		1,873,831
Street maintenance	572,496	620,000	618,932	(1,068)		547,791
Bridge maintenance	36,536	36,536	9,537	(26,999)		16,758
Bridge construction	106,158	47,391	30,623	(16,768)		22,790
Traffic services	536,319	537,828	519,213	(18,615)		496,836
Winter maintenance	307,928	330,000	327,393	(2,607)		323,672
Trunkline maintenance	180,978	204,269	173,155	(31,114)		244,186
State highway construction	892,204	827,359	732,527	(94,832)		2,150,804
Total expenditures	3,908,034	4,930,981	3,521,035	(1,409,946)		5,676,668
Excess of revenues over (under) expenditures	591,245	(1,210,280)	(344,208)	866,072		(877,812)
<b>Other Financing Sources (Uses) :</b>						
<b>Transfers in :</b>						
Community Development Block Grant Fund	400,000	400,000	219,931	(180,069)		383,845
Special Assessment Capital Projects Fund	380,490	329,134	192,703	(136,431)		139,234
Public Improvement Fund	450,000	450,000	182,008	(267,992)		254,517
2001 DDA TIF Capital Projects Fund	-	60,000	60,000	-		-
Major/Local Streets Capital Projects	428,474	395,727	351,338	(44,389)		364,380
<b>Transfers (out) :</b>						
Michigan Transportation Debt Service Fund	(170,675)	(161,476)	(161,276)	200		(127,755)
State Infrastructure Loan Debt Service Fund	(181,666)	(181,666)	(181,661)	5		(188,866)
Local streets	(75,000)	(100,000)	(100,000)	-		(160,000)
Total other financing sources (uses)	1,231,623	1,191,719	563,043	(628,676)		665,355
Net change in fund balances	1,822,868	(18,561)	218,835	237,396		(212,457)
<b>Fund Balance - Beginning of Year</b>	284,002	284,002	284,002	-		496,459
<b>Fund Balance - End of Year</b>	\$ 2,106,870	\$ 265,441	\$ 502,837	\$ 237,396	\$	284,002

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Community Development Block Grant Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004					
	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	2003 Actual	
<b>Revenues :</b>						
Intergovernmental - Federal grants	\$ 3,471,132	\$ 3,471,132	\$ 1,383,026	\$ (2,088,106)	\$ 2,451,722	
Investment income	(32,489)	(32,489)	5,316	37,805	9,846	
Miscellaneous	(15,292)	(15,292)	537,598	552,890	313,228	
Total revenues	3,423,351	3,423,351	1,925,940	(1,497,411)	2,774,796	
<b>Expenditures :</b>						
<b>Current :</b>						
<b>Public safety :</b>						
Code enforcement	757,787	757,787	470,966	(286,821)	468,744	
<b>Community enrichment &amp; development</b>						
Rehabilitation	1,374,877	1,374,877	374,510	(1,000,367)	538,044	
Rehab Loans	6,655	6,655	202,869	196,214	6,776	
Public services	136,437	136,437	85,357	(51,080)	167,728	
Administration	578,032	578,032	295,965	(282,067)	257,017	
Economic development	292,195	292,195	548,789	256,594	50,568	
Street construction - special assessments	8,799	8,799	2,829	(5,970)	124,254	
Jackson Affordable Housing	20,627	20,627	11,439	(9,188)	-	
Total expenditures	3,175,409	3,175,409	1,992,724	(1,182,685)	1,613,131	
Excess of revenues over expenditures	247,942	247,942	(66,784)	(314,726)	1,161,665	
<b>Other Financing Uses :</b>						
<b>Transfers (out) :</b>						
General Fund	(131,000)	(131,000)	(131,000)	-	(17,000)	
Capital Projects	(153,168)	(153,168)	(153,168)	-	(162,251)	
Major Street Fund	(400,000)	(400,000)	(219,931)	180,069	(383,845)	
Local Street Fund	(12,667)	(12,667)	(12,466)	201	(190,990)	
Debt Service Fund	(130,278)	(130,278)	(130,278)	-	(132,816)	
2001 DDA TIF Construction Fund	-	-	-	-	(284,089)	
Total other financing sources (uses)	(827,113)	(827,113)	(646,843)	180,270	(1,170,991)	
Net change in fund balances	(579,171)	(579,171)	(713,627)	(134,456)	(9,326)	
<b>Fund Balance - Beginning of Year</b>	1,137,143	1,137,143	1,137,143	-	1,146,469	
<b>Fund Balance - End of Year</b>	\$ 557,972	\$ 557,972	\$ 423,516	\$ (134,456)	\$ 1,137,143	

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Fund Net Assets - Proprietary Funds**  
**June 30, 2004**

	Enterprise Funds - Business-type Activities				Governmental Activities	
	Sewage	Water	Parking Deck	Nonmajor Funds	Totals	Internal Service
<b>Assets :</b>						
<b>Current Assets :</b>						
Cash and cash equivalents	\$ 6,034,136	\$ 4,411,732	\$ 373,603	\$ 416,202	\$ 11,235,673	\$ 2,439,518
Receivables (net of allowances for uncollectibles) :						
Accounts	1,022,494	1,611,435	-	-	2,633,929	78,355
Due from other funds	-	-	-	225	225	-
Inventories	-	206,782	-	-	206,782	-
Prepaid items	-	-	-	-	-	-
Restricted cash and cash equivalents - bond reserve	199,000	492,000	-	-	691,000	46,000
Restricted cash and cash equivalents - bond redemption	267,900	488,109	-	-	756,009	-
Total current assets	7,523,530	7,210,058	373,603	416,427	15,523,618	2,563,873
<b>Noncurrent Assets :</b>						
Long-term advances	-	-	-	-	-	717,389
Special Assessment Capital Projects Fund						
Capital assets						
Construction in progress	-	243,740	-	-	243,740	-
Land and land improvements	185,960	156,457	8,668,666	2,756,544	11,767,627	-
Buildings	249,947	595,682	11,539,323	-	12,384,952	-
Systems	31,610,334	27,437,552	-	-	59,047,886	-
Equipment	8,947,470	1,171,176	-	-	10,118,646	3,488,975
Less : Accumulated depreciation	40,993,711	29,604,607	20,207,989	2,756,544	93,562,851	3,488,975
Net capital assets	23,188,460	12,091,639	262,943	475,222	36,018,264	2,841,238
Total noncurrent assets	17,805,251	17,512,968	19,945,046	2,281,322	57,544,587	647,737
Total noncurrent assets	17,805,251	17,512,968	19,945,046	2,281,322	57,544,587	1,365,126
Total assets	25,328,781	24,723,026	20,318,649	2,697,749	73,068,205	3,928,999
						-Continued

**City of Jackson, Michigan**  
**Statement of Fund Net Assets - Proprietary Funds (Concluded)**  
**June 30, 2004**

	Enterprise Funds - Business-type Activities				Governmental Activities
	Sewage	Water	Parking Deck	Nonmajor Funds	Internal Service
<b>Liabilities :</b>					
<b>Current Liabilities :</b>					
Accounts payable	\$ 31,471	\$ 209,706	\$ 1,503	\$ 2,716	\$ 38,167
Accrued payroll	42,290	67,712	469	3,799	51,844
Accrued compensated absences	8,751	24,512	-	-	26,228
Customer deposits	-	173,938	-	-	-
Deferred revenue	-	-	125,000	-	-
Current portion of long-term debt	150,000	420,000	-	50,000	-
Total current liabilities	232,512	895,868	126,972	56,515	116,239
<b>Non-Current Liabilities :</b>					
Long term advance from Ella W. Sharp Park Endowment Fund	-	-	-	140,000	-
Estimated claims payable	-	-	-	-	421,990
Revenue bonds payable	1,300,000	2,660,000	-	-	-
Installment purchase contract payable	-	-	-	450,000	-
Accrued compensated absences	89,260	152,203	-	-	60,883
Total non-current liabilities	1,389,260	2,812,203	-	590,000	482,873
Total liabilities	1,621,772	3,708,071	126,972	646,515	599,112
<b>Net Assets :</b>					
Invested in capital assets, net of related debt	16,355,251	14,432,968	19,945,046	1,641,322	647,737
Restricted for :					
Bond reserve	199,000	492,000	-	-	-
Bond and interest redemption	267,900	488,109	-	-	-
Unrestricted	6,884,858	5,601,878	246,631	409,912	2,682,150
Total Net Assets	\$ 23,707,009	\$ 21,014,955	\$ 20,191,677	\$ 2,051,234	\$ 3,329,887

The accompanying notes are an integral part of these financial statements.



**City of Jackson, Michigan**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2004**

	Enterprise Funds - Business-type Activities				Governmental Activities	
	Sewage	Water	Parking Deck	Nonmajor Funds	Internal Service	
<b>Operating Revenues:</b>						
Charges for sales and services	\$ 4,405,515	\$ 5,826,158	\$ 249,995	\$ 186,516	\$	\$ 2,617,989
Administrative fees	-	160,496	-	-	-	-
Other	115,881	183,574	-	1,240	-	122,835
Total operating revenues	4,521,396	6,170,228	249,995	187,756	-	2,740,824
<b>Operating Expenses:</b>						
Personal services	1,231,532	1,983,223	16,328	105,876	-	1,082,777
Administration	-	-	-	-	-	214,219
Materials and supplies	233,881	982,043	-	3,462	-	304,034
Contractual and other services	1,656,196	1,323,068	89,865	96,378	-	771,808
Benefit payments	-	-	-	-	-	267,806
Equipment	-	-	-	-	-	21,413
Depreciation	1,132,777	689,496	262,943	64,896	-	275,879
Total operating expenses	4,254,386	4,977,830	369,136	270,612	-	2,937,936
Operating income (loss)	267,010	1,192,398	(119,141)	(82,856)	-	(197,112)
<b>Non-operating Revenues (Expenses):</b>						
Contribution from local government	-	-	1,253,130	-	-	-
Investment income	72,628	60,453	3,429	4,801	-	71,362
Interest and fiscal charges	(80,131)	(152,343)	-	(31,557)	-	(5,299)
Total non-operating revenues (expenses)	(7,503)	(91,890)	1,256,559	(26,756)	-	66,063
Income (loss) before transfers	259,507	1,100,508	1,137,418	(109,612)	-	(131,049)
<b>Transfers In:</b>						
Transfers In - General Fund	-	-	-	18,880	-	-
Transfers In - Special Assessment Capital Projects	-	-	-	58,045	-	-
Transfers In - Cuisis Endowment	-	-	-	225	-	-
Transfers In - DDA Capital Projects	-	-	-	28,285	-	-
Total transfers in	-	-	-	105,435	-	-
Change in net assets	259,507	1,100,508	1,137,418	(4,177)	-	(131,049)
<b>Net Assets - Beginning of Year, as restated</b>	23,447,502	19,914,447	19,054,259	2,055,411	-	3,460,936
<b>Net Assets - End of Year</b>	\$ 23,707,009	\$ 21,014,955	\$ 20,191,677	\$ 2,051,234	\$	\$ 3,329,887

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2004**

	Enterprise Funds - Business-type Activities					Governmental Activities
	Sewage	Water	Parking Deck	Nonmajor Funds	Totals	Internal Service
<b>Cash flows from operating activities</b>						
Payments to employees	\$ (1,203,695)	\$ (1,935,445)	(16,040)	\$ (105,287)	\$ (3,260,467)	\$ (1,060,182)
Payments to vendors and claimants	(2,148,559)	(2,302,260)	(92,754)	(97,539)	(4,641,112)	(1,687,518)
Receipts from customers and users	4,532,203	6,145,017	249,995	187,756	11,114,971	-
Receipts for interfund services provided	-	-	-	-	-	2,733,257
Net cash provided by (used in) operating activities	1,179,949	1,907,312	141,201	(15,070)	3,213,392	(14,443)
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital assets	(259,842)	(1,090,464)	-	-	(1,350,306)	-
Proceeds from advance repayments	-	-	-	-	-	205,512
Principal and interest paid on long-term debt	(355,131)	(552,343)	-	(74,557)	(982,031)	-
Principal and interest paid on advance	-	-	-	(7,000)	(7,000)	(93,618)
Net cash provided by (used in) capital and related financing activities	(614,973)	(1,642,807)	-	(81,557)	(2,339,337)	111,894
<b>Cash flows from non-capital financing activities</b>						
Transfer in	-	-	-	105,210	105,210	-
<b>Cash flows from investing activities</b>						
Interest received on investments	72,628	60,453	3,429	4,801	141,311	71,362
Net increase in cash and cash equivalents	637,604	324,958	144,630	13,384	1,120,576	168,813
Cash and cash equivalents, beginning of year	5,863,432	5,066,883	228,973	402,818	11,562,106	2,270,705
Cash and cash equivalents, end of year	\$ 6,501,036	\$ 5,391,841	373,603	\$ 416,202	\$ 12,682,682	\$ 2,439,518
<b>Balance Sheet Classification of Cash</b>						
Cash and cash equivalents	\$ 6,034,136	\$ 4,411,732	373,603	\$ 416,202	\$ 11,235,673	\$ 2,439,518
Restricted cash and cash equivalents	466,900	980,109	-	-	1,447,009	-
	\$ 6,501,036	\$ 5,391,841	373,603	\$ 416,202	\$ 12,682,682	\$ 2,439,518
Noncash transactions - during the year ended June 30, 2004 the parking deck fund reported contributions from local units of \$ 1,253,132 to reflect the cost of parking deck construction paid for by capital projects funds.						
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Operating income (loss)	\$ 267,010	\$ 1,192,398	(119,141)	\$ (82,856)	\$ 1,257,411	\$ (197,112)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,132,777	689,496	262,943	64,896	2,150,112	275,879
(Increase) decrease in:						
Accounts receivable	10,807	(45,341)	-	-	(34,534)	(7,567)
Prepaid items	-	-	-	-	-	(30,000)
Inventories	-	(12,194)	-	-	(12,194)	-
Increase (decrease) in:						
Accounts payable	(258,482)	16,780	(2,889)	2,301	(242,290)	(40,218)
Accrued payroll	23,200	33,330	288	589	57,407	30,655
Accrued compensated absences	4,637	14,448	-	-	19,085	(8,060)
Customer deposits	-	18,395	-	-	18,395	-
Estimated claims payable	-	-	-	-	-	(38,020)
Net cash provided by (used in) operating activities	\$ 1,179,949	\$ 1,907,312	141,201	\$ (15,070)	\$ 3,213,392	\$ (14,443)

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Fiduciary Net Assets - Fiduciary Funds**  
**June 30, 2004**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets :</b>		
Cash and cash equivalents	\$ 2,213,876	\$ 227,699
Investments, at fair value		
U.S. Government obligations	2,454,549	-
Domestic corporate bonds	18,181,433	-
Domestic stocks	33,596,799	-
International stocks	4,829,726	-
International bonds	791,591	
Receivables :		
Interest and dividends	87,802	-
Other	113,123	-
	<hr/>	<hr/>
Total assets	62,268,899	<u><u>\$ 227,699</u></u>
<b>Liabilities :</b>		
Accounts payable	-	\$ 67,409
Refunds payable and other	235,378	-
Due to other governments	-	50,338
Other liabilities	-	109,952
	<hr/>	<hr/>
Total liabilities	235,378	<u><u>\$ 227,699</u></u>
<b>Net Assets :</b>		
Restricted for retirement systems	<u><u>\$ 62,033,521</u></u>	

The accompanying notes are an integral part of these financial statements.

**City of Jackson, Michigan**  
**Statement of Changes in Plan Net Assets**  
**Pension Trust Funds**  
**For the Fiscal Year Ended June 30, 2004**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions :	
Employer	\$ 2,892,131
Plan member	809,193
	<u>3,701,324</u>
Total contributions	
	<u>3,701,324</u>
Investment income :	
Net appreciation in fair value of investments	6,844,827
Interest	1,056,473
Dividends	300,011
	<u>8,201,311</u>
Less investment expense	333,887
	<u>7,867,424</u>
Net investment income	
	<u>7,867,424</u>
Total additions	
	<u>11,568,748</u>
<b>Deductions</b>	
Benefits	6,078,616
Refunds of contributions	39,431
Administrative expense	51,716
	<u>6,169,763</u>
Total deductions	
	<u>6,169,763</u>
<b>Net increase in net assets</b>	5,398,985
<b>Net assets :</b>	
Beginning of year	<u>56,634,536</u>
End of year	<u><u>\$ 62,033,521</u></u>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS

# City of Jackson, Michigan

## Notes to Financial Statements

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# City of Jackson, Michigan

## Notes To Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Jackson, Michigan have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### 1-A. Reporting Entity

The City of Jackson, Michigan (the "City") was incorporated in 1857 and is the seat of Jackson County. The City operates under a Council-Manager form of government and provides the following services: public safety, public works, community development, culture and recreation.

The City of Jackson has followed the guidelines of the Governmental Standards Board's Statement No. 14. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Each blended or discretely presented component unit has a June 30 year end.

Blended component units, although legally separate entities, are essentially part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column on the combined financial statements to emphasize it is legally separate from the government.

**Blended Component Unit** - All Board Members of the City of Jackson Building Authority are selected by the City Council and the annual budget is approved by the City Commission. Proceeds from a limited-tax full faith and credit general obligation bond issue are used to finance certain improvements and renovations in City Hall. The Authority's activity is presented in the capital projects and debt service funds.

#### **Discretely Presented Component Units:**

**City of Jackson Brownfield Redevelopment Authority** – The Brownfield Redevelopment Authority was established by the City to facilitate the revitalization of environmentally distressed areas utilizing tax increment financing. The majority of Board members are appointed by the Mayor and subject to City Council approval. The City has the ability to significantly influence operations and has accountability for financial matters. Separate financial statements are not prepared. The Authority uses governmental fund type accounting and is reported in a separate column. The Brownfield Redevelopment Authority is accounted for in a capital projects fund.

**City of Jackson Downtown Development Authority** - The Downtown Development Authority is responsible for directing improvements in a taxing district within the City. The Mayor appoints the members of the Authority's governing board, subject to City Council approval. The City has the ability to significantly influence operations and has accountability for financial matters. The Authority uses governmental fund type accounting and is reported in a separate column.

Complete financial statements of the Downtown Development Authority may be obtained as follows:

City of Jackson Downtown Development Authority  
212 W. Michigan Ave.  
Jackson, Michigan 49201

# City of Jackson, Michigan

## Notes To Financial Statements

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### 1-B. Basis of Presentation

*Government-wide Financial Statements.* The statements of net assets and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

*General fund.* This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Major street special revenue fund.* This fund is used to control the expenditure of motor fuel taxes which are earmarked by law for major street and highway purposes.

*Community development block grant special revenue fund.* This fund accounts for grants under the Housing and Community Development Act of 1974, as amended. The Act provides for a series of grants over a period of years to be used for various community development activities.

*Special assessment capital projects fund.* This fund is used to account for public improvement expenditures deemed to benefit only the properties against which the special assessments are levied.

*2003 City hall construction capital projects fund.* This fund is used to account for the receipt and expenditure of series 2003 and 2003B general obligation debt issued to finance renovations and repairs to the City Hall building as approved by the voters in September 2003.



# City of Jackson, Michigan

## Notes To Financial Statements

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The City reports the following major enterprise funds:

*Sewage enterprise fund.* This fund accounts for the activities of the City's sewage disposal and sewage treatment systems.

*Water enterprise fund.* This fund accounts for the operations of the City's water distribution and water treatment systems.

*Parking deck enterprise fund.* This fund accounts for the operations of the City's East and West parking deck structures as well as surface parking constructed on Water Street.

Additionally, the City reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including trust or major capital projects.

*Debt service funds.* These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects funds.* These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

*Permanent funds.* These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

*Enterprise funds.* These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal service funds.* These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes workers' compensation self-insurance; data processing equipment; motor pool and garage, and public works administration and engineering.

*Pension trust funds.* These funds account for the activities of the City's three retirement funds, which accumulate resources for retirement benefit payments to qualified employees.

*Agency funds.* These funds account for assets held for other governments in an agency capacity.

### 1-C. Measurement Focus / Basis of Accounting

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

# City of Jackson, Michigan

## Notes To Financial Statements

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Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and proprietary funds of the City follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### 1-D. Assets, Liabilities and Equity

#### Deposits and Investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "pooled cash and investments". The cash resources of the Police and Fire Retirement System Trust Fund are invested separately.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

# City of Jackson, Michigan

## Notes To Financial Statements

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State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust and permanent fund investments due to changes in fair value are recognized each year.

### **Receivables and Payables**

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

### **Inventories, Prepaid Items and Other Assets**

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# City of Jackson, Michigan

## Notes To Financial Statements

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Public domain infrastructure	16-50
Land improvements	50
Buildings and improvements	50
Park and recreation facilities	50
Machinery and equipment	5-15
Water and wastewater systems	10-50

### Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# City of Jackson, Michigan

## Notes To Financial Statements

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### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **2-A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end, except for those approved by the City Council for carry forward.

The City Council requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded.

An operating budget is adopted each fiscal year for the General and Special Revenue Funds on a basis consistent with generally accepted accounting principles (GAAP). Budgets are legally required for the General and Special Revenue Funds. Budgetary control is exercised at the activity level within the General Fund and the Community Development Block Grant Fund (Special Revenue) and on the fund level for all other funds. Accordingly, financial statement presentation is made on this basis. City Commission resolution is required to increase activity budget amounts within the General Fund and the Community Development Block Grant Fund (Special Revenue) and any supplemental appropriations that increase the total expenditures of any other fund. Management can make budget transfers between line items within an activity for the General Fund and the Community Development Block Grant Fund (Special Revenue) and between line items for the fund as a whole for other funds.

Council reported budgeted amounts are as originally adopted or are amended by department revision or resolution. Supplemental budgetary appropriations (immaterial) were made during the year.

### ***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts and other firm commitments are used for the expenditure of monies is utilized as an extension of formal budgetary control in the governmental funds. Encumbered amounts lapse at year-end, however, material encumbrances generally are reappropriated as part of the following year's budget. These material encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures nor liabilities. No such commitments existed at June 30, 2004.

# City of Jackson, Michigan

## Notes To Financial Statements

### 2-B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund/Activity</u>	<u>Budget</u>	<u>Actual</u>
<b>General Fund:</b>		
Purchasing	\$ 161,259	\$ 161,470
Management Information Systems	407,389	407,733
City Hall and Grounds	299,284	299,640
Cemeteries	381,368	382,338
Emergency Measures	60,741	60,940
Historical District	41,595	48,363

### 2-C. Fund Deficit

At June 30, 2004, the Special Assessment Capital Projects Fund had a fund deficit of \$735,054. This deficit will be eliminated as deferred special assessments become due.

### NOTE 3 – DETAILED NOTES ON ALL FUNDS

#### 3-A. Deposits and Investments

*Summary of Deposit and Investment Balances.* Following is a reconciliation of deposit and investment balances as of June 30, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Assets:</b>			
Cash and cash equivalents	\$ 30,678,363	\$ 1,142,442	\$ 31,820,805
Investments	2,575,598	-	2,575,598
<b>Statement of Fiduciary Net Assets:</b>			
Cash and cash equivalents	2,441,575	-	2,441,575
Investments	<u>59,854,098</u>	<u>-</u>	<u>59,854,098</u>
<b>Total</b>	<b><u>\$ 95,549,634</u></b>	<b><u>\$ 1,142,442</u></b>	<b><u>\$ 96,692,076</u></b>

# City of Jackson, Michigan

## Notes To Financial Statements

### Deposits and Investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 32,032,309
Investments in securities, mutual funds and similar vehicles	64,643,572
Cash on hand	<u>16,195</u>
<b>Total</b>	<b><u>\$ 96,692,076</u></b>

*Deposits.* At year end, the carrying amount of deposits was \$32,032,309. The bank balance was \$33,714,574. Of the bank balance, \$900,000 was covered by federal depository insurance. The remaining balance of \$32,814,574 was uninsured and uncollateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Investments and Securities Lending.* The City's investments have been classified into the following three categories of credit risk: (1) insured or registered, or securities held by the government or its agent in the government's name; (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

The following schedule classifies the City's investments as of June 30, 2004, into the above noted categories:

	<u>Category</u>				<u>Carrying Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Uncategorized</u>	
Certificates of deposit	\$960,949	\$ -	\$ -	\$ -	\$ 960,949
U.S. government obligations	-	3,926,738	-	-	3,926,738
Domestic corporate bonds	-	18,201,456	-	-	18,201,456
Domestic stocks	-	33,609,097	-	-	33,609,097
International stocks	-	4,829,726	-	-	4,829,726
International bonds	-	<u>791,591</u>	-	-	<u>791,591</u>
<b>Total investments</b>	<b><u>\$960,949</u></b>	<b><u>\$ 61,358,608</u></b>	<b><u>\$ -</u></b>		<b>62,319,557</b>
Mutual and cash management funds (uncategorized as to risk)				<b><u>\$ 2,324,015</u></b>	<b><u>2,324,015</u></b>
<b>Total investments</b>					<b><u>\$ 64,643,572</u></b>

# City of Jackson, Michigan

## Notes To Financial Statements

### 3-B. Receivables

Receivables in the governmental activities are 20 percent due from other governments, 18 percent accounts receivables, 27 percent income taxes, 13 percent special assessments, and 22 percent loans receivable. 80 percent of the special assessment receivables are not expected to be collected within one year. Business-type activities receivables are 100 percent due from customers. Loans receivable consists of \$1,349,875 in long-term loans due from local businesses related to economic development projects, of which \$1,238,819 in loans are not expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Special assessments not yet due (debt service and capital projects funds)	\$ 768,663	\$ -	\$ 768,663
Grant drawdowns prior to meeting all eligibility requirements	-	97,535	97,535
Long term loans receivable	<u>1,349,875</u>	<u>-</u>	<u>1,349,875</u>
	<u>\$ 2,118,538</u>	<u>\$ 97,535</u>	<u>\$ 2,216,073</u>



# City of Jackson, Michigan

## Notes To Financial Statements

### 3-C. Capital Assets

Capital assets activity for the year ended June 30, 2004, was as follows:

#### Primary government

#### Governmental Activities:

	Balance July 1, 2003	Restatement	Additions	Deductions	Balance June 30, 2004
<b>Capital assets not being depreciated:</b>					
Land	\$ 2,430,383	\$ -	\$ 10,000	\$ -	\$ 2,440,383
Construction in progress	31,869,323	(18,954,859)	2,977,929	14,546,514	1,345,879
<b>Subtotal</b>	<b>34,299,706</b>	<b>(18,954,859)</b>	<b>2,987,929</b>	<b>14,546,514</b>	<b>3,786,262</b>
<b>Capital assets being depreciated:</b>					
Infrastructure	101,479,473	-	2,199,780	-	103,679,253
Land improvements	3,230,368	-	12,497,880	-	15,728,248
Buildings and improvements	5,544,483	-	1,165,505	-	6,709,988
Park and recreation facilities	7,616,241	-	205,715	-	7,821,956
Machinery and equipment	10,491,379	-	375,138	92,887	10,773,630
<b>Subtotal</b>	<b>128,361,944</b>	<b>-</b>	<b>16,444,018</b>	<b>92,887</b>	<b>144,713,075</b>
<b>Accumulated depreciation</b>					
Infrastructure	70,314,609	-	1,919,605	-	72,234,214
Land improvements	184,707	-	64,607	-	249,314
Buildings and improvements	3,203,072	-	78,846	-	3,281,918
Park and recreation facilities	3,998,311	-	95,003	-	4,093,314
Machinery and equipment	7,646,607	-	662,666	75,147	8,234,126
<b>Total accumulated depreciation</b>	<b>85,347,306</b>	<b>-</b>	<b>2,820,727</b>	<b>75,147</b>	<b>88,092,886</b>
<b>Total capital assets being depreciated - net</b>	<b>43,014,638</b>	<b>-</b>	<b>13,623,291</b>	<b>17,740</b>	<b>56,620,189</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 77,314,344</b>	<b>\$ (18,954,859)</b>	<b>\$ 16,611,220</b>	<b>\$ 14,564,254</b>	<b>\$ 60,406,451</b>

# City of Jackson, Michigan

## Notes To Financial Statements

<u>Business-type activities</u>	Balance July 1, 2003	Restatement	Additions	Deductions	Balance June 30, 2004
<b>Capital assets not being depreciated:</b>					
Land	\$ 1,896,043	\$ 7,060,844	\$ -	\$ -	\$ 8,956,887
Construction in progress	-	-	243,740	-	243,740
<b>Subtotal</b>	<b>1,896,043</b>	<b>7,060,844</b>	<b>243,740</b>	<b>-</b>	<b>9,200,627</b>
<b>Capital assets being depreciated:</b>					
Systems	57,967,419	-	1,080,466	-	59,047,885
Land improvements	829,804	1,455,463	152,360	-	2,437,627
Buildings and improvements	1,202,344	10,438,553	1,100,770	-	12,741,667
Machinery and equipment	10,156,061	-	26,102	47,116	10,135,047
<b>Subtotal</b>	<b>70,155,628</b>	<b>11,894,016</b>	<b>2,359,698</b>	<b>47,116</b>	<b>84,362,226</b>
<b>Accumulated depreciation</b>					
Systems	26,366,725	-	1,461,687	-	27,828,412
Land improvements	336,338	-	82,020	-	418,358
Buildings and improvements	694,399	-	269,668	-	964,067
Machinery and equipment	6,517,808	-	336,737	47,116	6,807,429
<b>Total accumulated depreciation</b>	<b>33,915,270</b>	<b>-</b>	<b>2,150,112</b>	<b>47,116</b>	<b>36,018,266</b>
<b>Total capital assets being depreciated - net</b>	<b>36,240,358</b>	<b>11,894,016</b>	<b>209,586</b>	<b>-</b>	<b>48,343,960</b>
<b>Business-type activities capital assets - net</b>	<b>\$ 38,136,401</b>	<b>\$ 18,954,860</b>	<b>\$ 453,326</b>	<b>\$ -</b>	<b>\$ 57,544,587</b>

# City of Jackson, Michigan

## Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 53,564
Public safety	280,022
Public works, including depreciation of general infrastructure assets	1,991,292
Culture and recreation	191,812
Community enrichment and development	28,158
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>275,879</u>

**Total depreciation expense - governmental activities** **\$ 2,820,727**

**Business-type activities:**

Golf practice center	\$ 17,836
Automobile parking system	47,060
Parking deck	262,943
Sewage	1,132,777
Water	<u>689,496</u>

**Total depreciation expense - business-type activities** **\$ 2,150,112**

Construction in progress in the governmental activities consists of costs related to the rehabilitation and renovation of the City Hall building. The City has entered into a construction commitment with a general contractor for the project. Estimated costs to date are \$1,345,879, and total estimated costs are \$9,799,247. This commitment is being financed by remaining proceeds from two unlimited tax general obligation bonds (series 2003 and 2003b) totaling \$10,000,000.

The beginning balance of capital assets was restated in the governmental and business activities as described in Note 4-F.

### 3-D. Payables

Payables in the governmental activities are 43 percent vendors, 17 percent claims, 21 percent accrued payroll, 16 percent interest, and 3 percent other. Business-type activities payables are 46 percent vendors, 33 percent deposits and 21 percent accrued payroll.

# City of Jackson, Michigan

## Notes To Financial Statements

### 3-E. Interfund Receivables, Payables and Transfers

At June 30, 2004, interfund receivables and payables were as follows:

Receivable Fund	Payable Fund						Total
	Lawnet Grant	2001 DDA TIF Debt service	2001 DDA TIF Construction	Cemetery Perpetual Maintenance	Cuiss Endowment	Special Assessment Capital Projects	
2003 City Hall Construction	\$ 10,151	\$ -	\$ 42,662	\$ 43,015	\$ -	\$ -	\$ 95,828
2001 DDA TIF Construction	-	200,000	-	-	-	-	200,000
Downtown Development Authority Project	-	156,000	-	-	-	-	156,000
Ella W. Sharp Park Golf Practice Center	-	-	-	-	225	-	225
Community Development Block Grant	-	-	-	-	-	13,851	13,851
1996 Special Assessment Bond Debt Service	-	-	-	-	-	9,645	9,645
	<u>\$ 10,151</u>	<u>\$ 356,000</u>	<u>\$ 42,662</u>	<u>\$ 43,015</u>	<u>\$ 225</u>	<u>\$ 23,496</u>	<u>\$ 475,549</u>

At June 30, 2004, interfund advances were as follows:

Receivable Fund	Payable Fund			Total
	Community Development Block Grant	Ella W. Sharp Park Golf Practice Center	Special Assessment Capital Projects	
General Fund	\$ 100,000	\$ -	\$ -	\$ 100,000
Ella W. Sharp Park Endowment	-	140,000	-	140,000
Workers' Compensation	-	-	717,389	717,389
	<u>\$ 100,000</u>	<u>\$ 140,000</u>	<u>\$ 717,389</u>	<u>\$ 957,389</u>

The City has interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The advance from the Ella Sharp Endowment Fund was executed in order to assist the cash position (cash flow) of the enterprise golf practice center activities. Also, an advance from the Worker's Compensation Internal Service Fund was used to provide cash for special assessment capital projects activities.

# City of Jackson, Michigan

## Notes To Financial Statements

For the year then ended, interfund transfers consisted of the following:

Transfer Out Fund	Transfer In Fund				Total
	General Fund	Major Street	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	
General Fund	\$ -	\$ -	\$ 300,503	\$ 18,880	\$ 319,383
Major Street	-	-	442,937	-	442,937
Community Development Block Grant	131,000	219,931	295,912	-	646,843
Special Assessment Capital Projects	-	192,703	82,833	58,045	333,581
Nonmajor Governmental Funds	140,834	593,346	2,228,188	28,510	2,990,878
	<u>\$ 271,834</u>	<u>\$ 1,005,980</u>	<u>\$ 3,350,373</u>	<u>\$ 105,435</u>	<u>\$ 4,733,622</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### 3-F. Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. During the year, general obligation bonds totaling \$10,000,000 were issued to finance the rehabilitation and renovation of the City Hall building.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Fiscal Year Due	Interest Rates	Amount
<b>Governmental activities</b>			
1992 building authority limited tax	2005	5.00% - 7.00%	\$ 90,000
1998 building authority limited tax	2012	4.5%	560,000
1999 building authority limited tax	2019	5.25%	525,000
1998 Michigan Transportation Fund	2008	4.5%	460,000
2001 Downtown Development	2026	3.70% - 5.75%	17,803,577
2002 Brownfield Redevelopment	2030	4.00% - 5.38%	18,500,000
2003 General obligation unlimited tax	2027	2.00% - 5.25%	8,250,000
2003 (series b) General obligation unlimited tax	2027	3.00% - 4.70%	1,750,000
2003 Michigan Transportation Fund	2013	2.00% - 3.20%	1,750,000
			<u>\$ 49,688,577</u>

# City of Jackson, Michigan

## Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 660,000	\$ 2,172,395
2006	765,000	1,953,673
2007	915,000	1,926,085
2008	1,080,000	1,891,439
2009	1,260,000	1,850,724
2010-2014	9,070,000	8,225,377
2015-2019	10,411,265	10,848,607
2020-2024	12,790,944	13,253,040
2025-2029	12,211,368	6,432,286
2030	525,000	28,219
	<u>\$ 49,688,577</u>	<u>\$ 48,581,844</u>

*Revenue bonds.* The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Fiscal Year Due</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Business-type activities</b>			
1996 sewer system	2008	4.40% - 5.70%	\$ 525,000
1999 water refunding	2016	3.50% - 4.60%	3,080,000
2000 sewage system	2015	4.75% - 5.35%	925,000
			<u>\$ 4,530,000</u>

Revenue bond debt service requirements to maturity are as follows:

	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 570,000	\$ 204,942
2006	370,000	180,417
2007	400,000	163,372
2008	435,000	144,561
2009	295,000	128,248
2010-2014	1,675,000	425,893
2015-2016	785,000	51,803
	<u>\$ 4,530,000</u>	<u>\$ 1,299,236</u>

# City of Jackson, Michigan

## Notes To Financial Statements

*Special Assessment Debt.* The City also issues bonds to finance certain public improvements that benefit specific districts. These districts are special assessed, at least in part, for the cost of the improvements. Under Michigan law, the City is secondarily liable for repayment of these bonds. No special assessment bonds were issued during the current year. Special assessment bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Fiscal Year Due</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>			
1996 special assessment improvements	2005	3.85% - 4.90%	<u>\$ 85,000</u>

Special assessment bond debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>
2005	<u>\$ 85,000</u>	<u>\$ 4,165</u>

*Other Obligations.* The government has entered into various long-term loan and installment payment agreements. An installment purchase agreement was entered into during the current year to finance the purchase of the old Consumers Energy headquarters building, for use as a temporary city hall. Installment obligations outstanding at year-end are as follows:

<u>Purpose</u>	<u>Fiscal Year Due</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>			
Michigan Urbanland Assembly Loan – economic development	2011	0.00%	\$ 916,000
Section 108 loan – economic development	2021	3.66% -6.62%	1,090,000
2004 Building and parking installment purchase contract	2009	3.75%	370,000
Municipal service contract – Nixon Park recreational improvements	2011	5.25%	<u>150,000</u>
			<u>\$ 2,526,000</u>
<b>Business activities</b>			
1997 installment purchase contract – purchase of parking lots	2011	4.69%	<u>\$ 500,000</u>

# City of Jackson, Michigan

## Notes To Financial Statements

Annual debt service requirements to maturity for installment obligations are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 294,000	\$ 71,099	\$ 50,000	\$ 22,278
2006	299,000	69,205	50,000	19,933
2007	304,000	64,508	50,000	17,588
2008	309,000	58,429	75,000	14,656
2009	314,000	52,574	75,000	11,139
2010-2014	566,000	189,035	200,000	9,380
2015-2019	325,000	97,822	-	-
2020-2021	<u>115,000</u>	<u>10,854</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 2,526,000</u></b>	<b><u>\$ 613,526</u></b>	<b><u>\$ 500,000</u></b>	<b><u>\$ 94,974</u></b>

*Advance refundings.* In prior years, the City defeased certain bonds by placing the proceeds of a new bond issue in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2004, the following amounts of bonds outstanding are considered defeased:

Primary government **\$ 525,000**

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Primary Government</u></b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 40,133,577	\$ 10,000,000	\$ 445,000	\$ 49,688,577	\$ 660,000
Special assessment bonds	200,000	-	115,000	85,000	85,000
Installment contracts	170,000	370,000	20,000	520,000	85,000
Loans payable	2,329,679	-	323,679	2,006,000	209,000
Compensated absences	<u>1,899,364</u>	<u>326,331</u>	<u>285,000</u>	<u>1,940,695</u>	<u>263,522</u>
	<b><u>\$ 44,732,620</u></b>	<b><u>\$ 10,696,331</u></b>	<b><u>\$ 1,188,679</u></b>	<b><u>\$ 54,240,272</u></b>	<b><u>\$ 1,302,522</u></b>
<b>Business-type activities</b>					
Installment contract	\$ 550,000	\$ -	\$ 50,000	\$ 500,000	\$ 50,000
Revenue bonds	5,205,000	-	675,000	4,530,000	570,000
Compensated absences	<u>255,641</u>	<u>58,085</u>	<u>39,000</u>	<u>274,726</u>	<u>33,263</u>
	<b><u>\$ 6,010,641</u></b>	<b><u>\$ 58,085</u></b>	<b><u>\$ 764,000</u></b>	<b><u>\$ 5,304,726</u></b>	<b><u>\$ 653,263</u></b>

For the governmental activities, compensated absences are generally liquidated by the general fund.



# City of Jackson, Michigan

## Notes To Financial Statements

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### 3-G. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and sewage systems. Because the Water and Sewage Funds, which are individual funds that account entirely for the government's water and sewer activities, are segments and are reported as major funds in the fund financial statements, segment disclosures herein are not required.

### 3-H. Endowments

***Ella W. Sharp Park Endowment Permanent Trust Fund.*** For the year ended June 30, 2004, the net depreciation on investments of donor-restricted endowments was \$6,655. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Ella Sharp Park. At year-end, there was no accumulated available net appreciation; the nonexpendable endowment balance is \$1,114,995.

***Cuiss Endowment Permanent Trust Fund.*** For the year ended June 30, 2004, the net depreciation of this donor restricted endowment was \$571. The non-expendable endowment balance is \$25,000.

***Cemetery Perpetual Maintenance Permanent Trust Fund.*** For the year ended June 30, 2004, the net appreciation on investments of donor-restricted endowments was \$4,878. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Cemetery System. At year-end, accumulated available net appreciation of \$39,370 is reported in unrestricted net assets; the nonexpendable endowment balance is \$1,513,813.

## NOTE 4 – OTHER INFORMATION

### 4-A. Risk Management

During the normal course of its operations, the City is exposed to various risks of loss related to liability, employee injury and other circumstances. In all instances other than workers compensation, the City has retained coverages through commercial insurance carriers. The City has opted to protect itself from risks through means other than the purchase of traditional insurance coverage explained as follows:

In 1979, the City established a self-insurance program for workers' compensation, which is accounted for in the Workers' Compensation Fund (an internal service fund). This program is administered by a service agency, which furnishes safety inspection, claims review, and claims processing. A specific excess workers' compensation reinsurance policy indemnifies the City on a statutory basis in excess of the first \$1,000,000 per occurrence. All applicable funds are charged premiums based on payroll and workers' compensation classification. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The claims liability of \$421,990 reported in the Workers' Compensation Fund at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claim liability is estimated by management based upon historical experience. No annuity contracts have been purchased for claims liabilities.

# City of Jackson, Michigan

## Notes To Financial Statements

The change in the Workers' Compensation Fund liability amount for the years ended June 30, 2004 and 2003 is as follows:

	2004	2003
Claims liability at beginning of fiscal year	\$ 460,010	\$ 187,701
Claims and changes in estimates	195,600	418,873
Claims payments	(233,620)	(146,564)
<b>Claims liability at June 30</b>	<b>\$ 421,990</b>	<b>\$ 460,010</b>

There were no significant reductions in insurance coverage from the prior year, and no insurance settlements have exceeded coverage for each of the past three fiscal years.

### 4-B. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31 each year. The City property tax is levied the following July 1 based on the taxable value of the property, as assessed by the County, as of the preceding December 31. Real and personal property in the City for the July 1, 2003 levy was assessed and valued at approximately \$564 million, representing approximately 50% of estimated current market value.

The City's operating tax rate is 6.72 mills (cannot exceed 7.00 mills) with an additional 1.92 (cannot exceed 2.00 mills) for public improvement, 4.15 for Act 345 Pension and 2.00 for the Downtown Development Authority, a component unit of the City.

Taxes are payable to the City in five equal installments on the twentieth of the month commencing in July and ending in November. They are deemed delinquent immediately after the due date.

### 4-C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Michigan Department of Natural Resources has served the City, Jackson County and State of Michigan Department of Corrections with a notice to abate pollution found at a landfill site owned by the City until 1984. The landfill was turned over to Jackson County in 1984, and the City has some protection from an agreement precluding any liability as a result of pollution found at the site. Should the agreement with the County collapse, the City could be held liable for a portion of the cleanup costs, which could be significant. The City believes it has meritorious grounds to defend any adverse claim and no provision for loss has been made in the accompanying financial statements.

# City of Jackson, Michigan

## Notes To Financial Statements

A large utility with significant property within the City of Jackson has a personal property tax appeal filed with the Michigan Tax Tribunal. There is approximately \$285,000 of the City's taxes at risk. Once the State manual is complete and its depreciation schedules are approved by the Tribunal, there will likely be a valuation and tax reduction for the City. The amount of this reduction in tax is currently unknown.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### 4-D. Postemployment Benefits

Per personnel policy for non-union members and various labor agreements for union members, the City provides health insurance benefits to approximately 100 retirees who have not reached age 65. Such benefits are funded as incurred and approximated \$459,000 for governmental activities and \$27,000 for proprietary activities for the year ended June 30, 2004.

### 4-E. Defined Benefit Pension Plans

The City administers three single-employer defined benefit pension plans which provide retirement, death, and disability benefits covering substantially all City employees, subject to certain eligibility requirements. The obligation to contribute to these three plans and benefit provisions are authorized and amended by City ordinance. Membership of each plan consisted of the following at June 30, 2003, the date of the latest actuarial valuation:

	Employees' Retirement System	Policemen's and Firemen's Pension Fund	Policemen's and Firemen's Pension Act 345 Fund
Retirees and beneficiaries receiving benefits	145	56	132
Terminated plan members entitled to, but not yet receiving benefits	9	-	4
Active plan members	233	-	115
<b>TOTAL</b>	<b>387</b>	<b>56</b>	<b>251</b>

# City of Jackson, Michigan

## Notes To Financial Statements

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### Employees' Retirement System

The Employees' Retirement System Pension Plan is a contributory defined benefit plan that covers substantially all City employees not covered under one of the City's Policemen's and Firemen's Pension Plans and provides for retirement, death, and disability benefits. Members contribute 2.5% of annual compensation or one-half of the actuarially computed contribution if it is greater than 5.0%. The City contributes 2.5% of total compensation as a minimum, plus additional amounts as are necessary to provide assets sufficient for the Early Retirement Window Period. Pursuant to Ordinance Amendments, effective July 1, 1997, members contribute 2.5%, with the City contributing the 3.93%. Accumulated member contributions are annually credited with interest at 7%. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the current year was determined as part of a June 30, 2002 actuarial valuation using the Entry Age Method. The actuarial assumptions included a 8% rate of return on investments, projected salary increases of 4.25% - 8.05% including inflation at 4.25%, and no cost of living adjustments.

### Policemen's and Firemen's Pension

The Policemen's and Firemen's Pension Plan is a contributory defined benefit plan that covers certain uniformed policemen and firemen hired prior to July 1, 1974, and provides for retirement, death, and disability benefits. There are no remaining active plan members. The City contributes such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to plan members. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the current year was determined as part of a June 30, 2002 actuarial valuation using the Attained Age Method. The actuarial assumptions included a 7.5% rate of return on investments, an inflation adjustment of 3.0%, and a 3.0% cost of living adjustment.

### Policemen's and Firemen's Pension - Act 345

The Policemen's and Firemen's Pension Plan-Act 345 is a contributory defined benefit plan that covers uniformed policemen and firemen hired subsequent to July 1, 1974, and certain policemen and firemen hired prior to that date who have elected, under the provisions of the plan, to transfer from the City's Policemen's and Firemen's Pension Plan, and provides for retirement, death, and disability benefits. Members contribute 7.8% of annual compensation with the City contributing such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to plan members. Accumulated member contributions are annually credited with interest at 7%. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the year was determined as part of a June 30, 2002 actuarial valuation using the Entry Age Method. The actuarial assumptions included a 7.5% rate of return on investments, projected salary increases of 4.5% - 7.5% including inflation at 4.5%, and no cost of living adjustments.

# City of Jackson, Michigan

## Notes To Financial Statements

Other information for these plans is as follows:

	<b>Employees' Retirement System</b>	<b>Policemen's And Firemen's Pension</b>	<b>Policemen's and Firemen's Pension - Act 345</b>
Asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market
Amortization method	Level percent	Level percent	Level percent
Remaining amortization	5-18 years	7 years	13 years
Open or closed	Closed	Closed	Closed

### THREE-YEAR TREND INFORMATION

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Annual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b><u>Employees' Retirement System</u></b>				
6/30/02	\$ 354,918	\$ 354,918	100%	\$ -0-
6/30/03	378,931	378,931	100	-0-
6/30/04	398,583	398,583	100	-0-
<b><u>Policemen's and Firemen's Pension</u></b>				
6/30/02	\$ -0-	\$ -0-	100%	\$ -0-
6/30/03	86,992	86,992	100	-0-
6/30/04	301,041	301,041	100	-0-
<b><u>Policemen's and Firemen's Pension - Act 345</u></b>				
6/30/02	\$1,882,139	\$1,882,139	100%	\$ -0-
6/30/03	1,895,548	1,895,548	100	-0-
6/30/04	2,192,507	2,192,507	100	-0-

Stand alone financial reports have not been issued for the plans. GASB Statement 25 Required Supplementary Information is presented after the footnotes section.

# **City of Jackson, Michigan**

## **Notes To Financial Statements**

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### **4-F. Restatements**

#### **Governmental Activities**

Beginning net assets on July 1, 2003 of \$51,154,391 were increased by \$1,430,625 to reflect the balance due on long term loans receivable that were not reported as a governmental activity asset in prior years, and decreased by \$18,954,859 to report the balance of construction in progress related to parking deck construction as an asset in the parking deck enterprise fund (business type activity).

#### **Business Type Activities**

Beginning net assets on July 1, 2003 of \$45,516,915 were increased by \$18,954,859 to reflect the balance of construction in progress at the beginning of the year as an asset of the parking deck enterprise fund, and decreased by \$155 to correct an error in the beginning capital asset balance of the water enterprise fund.

\* \* \* \* \*

**GASB STATEMENT 25 REQUIRED  
SUPPLEMENTARY INFORMATION**

# City of Jackson, Michigan

## GASB Statement 25 Required Supplementary Information

### Schedule of Funding Progress

Actuarial Valuation Date June 30	(In Thousands)			Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)			
<u>Employees' Retirement System</u>						
1996	\$ 22,960	\$ 22,446	\$ (514)	102.3	% \$ 7,021,952	(7.3)
1997	24,810	24,459	(351)	101.4	7,340,045	(4.8)
1998	27,965	22,927	(5,038)	122.0	7,339,189	(68.6)
1999	31,654	24,367	(7,287)	129.9	7,784,073	(93.6)
2000	34,960	25,787	(9,173)	135.6	8,338,326	(110.0)
2001	36,120	27,705	(8,415)	130.4	8,532,237	(98.6)
2002	35,151	29,372	(5,779)	119.7	9,256,930	(62.4)
2003	33,229	29,902	(3,327)	111.1	9,691,157	(34.3)

### **Policemen's and Firemen's Pension**

1996	7,655	16,167	8,512	47.3	44,875	18,970.0
1997	7,891	16,176	8,285	48.8	50,098	16,537.7
1998	8,997	13,879	4,882	64.8	49,813	9,799.6
1999	9,845	13,537	3,692	72.7	51,016	7,237.6
2000	11,518	11,747	229	98.1	N/A	N/A
2001	10,845	11,428	583	94.9	N/A	N/A
2002	9,354	11,267	1,913	83.0	N/A	N/A
2003	7,745	10,901	3,156	71.1	N/A	N/A

### **Policemen's and Firemen's Pension - Act 345**

1996	15,137	38,080	22,943	39.8	5,380,560	426.4
1997	17,657	39,109	21,452	45.1	5,498,077	390.2
1998	21,277	39,553	18,276	53.8	5,697,163	320.8
1999	24,372	40,911	16,539	59.6	5,597,521	295.5
2000	27,748	42,660	14,912	65.0	5,772,726	258.3
2001	29,555	44,126	14,571	67.0	5,942,253	245.2
2002	28,906	45,681	16,775	63.3	6,071,301	276.3
2003	27,837	47,131	19,294	59.1	6,213,210	310.5



# City of Jackson, Michigan

## GASB Statement 25 Required Supplementary Information

### Schedule of Employer Contributions

<u>Fiscal Year Ended June 30</u>	<u>Contribution Rates as Percents of Valuation Payroll</u>		<u>Annual Required Computed Dollar Contribution Based on Projected Payroll</u>	<u>Actual Annual Contributions</u>	<u>Percent Contribution</u>	
<b><u>Employees' Retirement System</u></b>						
1997	3.8	%	\$ 270,136	\$ 270,731	100	%
1998	3.7		275,762	299,660	109	
1999	4.6		363,951	363,951	100	
2000	3.9		320,315	320,315	100	
2001	3.9		335,840	335,840	100	
2002	3.9		354,918	354,918	100	
2003	3.9		378,931	378,931	100	
2004	3.9		398,583	398,583	100	
<b><u>Policemen's and Firemen's Pension</u></b>						
1997	N/A		558,348	558,348	100	
1998	N/A		534,469	534,469	100	
1999	N/A		542,989	542,989	100	
2000	N/A		372,183	372,183	100	
2001	N/A		293,241	293,241	100	
2002	N/A		-	-	N/A	
2003	N/A		86,992	86,992	100	
2004	N/A		301,041	301,041	100	
<b><u>Policemen's and Firemen's Pension - Act 345</u></b>						
1997	40.4		2,224,513	2,224,513	100	
1998	39.5		2,284,381	2,284,381	100	
1999	38.4		2,270,386	2,270,386	100	
2000	33.6		2,051,490	2,051,490	100	
2001	30.9		1,970,575	1,970,575	100	
2002	30.9		1,882,139	1,882,139	100	
2003	29.9		1,895,548	1,895,548	100	
2004	33.8		2,192,507	2,192,507	100	

# City of Jackson, Michigan

## GASB Statement 25 Required Supplementary Information

### Additional Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Employees' Retirement System</u>	<u>Policemen's and Firemen's Pension</u>	<u>Policemen's and Firemen's Pension Act 345</u>
Valuation date	June 30, 2003	June 30, 2003	June 30, 2003
Actuarial Cost Method	Entry Age	Not applicable - Inactive	Entry Age
Amortization Method	Level percent	Level percent	Level percent
Remaining amortization period (All closed periods)	180 (1990-1991 amendments), 4 (Early Retirement Windows) and 5 (all others)	7 years	13 years
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market
Actuarial assumption:			
Investment rate of return	8.00%	7.50%	7.50%
Projected salary increases	4.25% - 8.05%	N/A	4.5% - 7.5%
Includes inflation at	4.25%	3.00%	4.50%
Cost-of-living adjustments	None	3.00%	None

COMBINING and INDIVIDUAL FUND FINANCIAL  
STATEMENTS and SCHEDULES

**City of Jackson, Michigan**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2004**

	Special Revenue	Debt Service	Capital Projects	Permanent Funds	Totals
<b>Assets :</b>					
Cash and cash equivalents	\$ 1,787,152	\$ 1,827,831	\$ 1,643,779	\$ 1,748	\$ 5,260,510
Investments, at fair value	-	-	-	2,575,598	2,575,598
Receivables (net of allowances for uncollectibles) :					
Accounts	48,976	-	13,100	-	62,076
Special assessments	-	28,388	-	-	28,388
Other	-	-	-	19,072	19,072
Due from other governmental units	117,882	-	-	-	117,882
Due from other funds	-	9,645	356,000	-	365,645
Inventories	12,513	-	-	-	12,513
Long-term advance to other funds	-	-	-	140,000	140,000
Total assets	\$ 1,966,523	\$ 1,865,864	\$ 2,012,879	\$ 2,736,418	\$ 8,581,684
<b>Liabilities and Fund Balances :</b>					
<b>Liabilities :</b>					
Accounts payable	\$ 41,028	\$ -	\$ 12,367	\$ -	\$ 53,395
Accrued payroll	35,946	-	-	-	35,946
Other liabilities	-	7,054	7,422	-	14,476
Due to other funds	10,151	356,000	42,662	43,240	452,053
Deferred revenue	95,175	28,388	-	-	123,563
Total liabilities	182,300	391,442	62,451	43,240	679,433
<b>Fund balances :</b>					
Reserved for inventory	12,513	-	-	-	12,513
Reserved for perpetual care and endowment	-	-	-	2,653,808	2,653,808
Unreserved :					
Designated	230,259	-	-	-	230,259
Undesignated	1,541,451	1,474,422	1,950,428	39,370	5,005,671
Total fund balances	1,784,223	1,474,422	1,950,428	2,693,178	7,902,251
Total liabilities and fund balances	\$ 1,966,523	\$ 1,865,864	\$ 2,012,879	\$ 2,736,418	\$ 8,581,684

**City of Jackson, Michigan**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2004**

	Special Revenue	Debt Service	Capital Projects	Permanent Funds	Totals
<b>Revenues :</b>					
Property taxes	\$ 1,024,909	\$ -	\$ 847,306	\$ -	\$ 1,872,215
Intergovernmental :					
Federal grants	768,301	-	-	-	768,301
State shared revenues and grants	629,040	-	20,624	-	649,664
Charges for services	1,194,671	217,578	-	21,378	1,433,627
Special assessments	-	45,468	-	-	45,468
Investment income	24,542	7,579	48,812	21,323	102,256
Miscellaneous	272,458	-	28,100	-	300,558
Total revenues	3,913,921	270,625	944,842	42,701	5,172,089
<b>Expenditures :</b>					
<b>Current:</b>					
Public safety	604,000	-	-	-	604,000
Public works	926,248	-	42,131	-	968,379
Culture and recreation	916,597	-	-	-	916,597
Community enrichment and development	859,330	-	-	8,522	867,852
<b>Capital outlay :</b>					
Community enrichment and development	745,173	-	1,879,378	-	2,624,551
<b>Debt service:</b>					
Principal retirement	20,000	883,679	-	-	903,679
Interest and fiscal charges	8,925	1,650,974	-	-	1,659,899
Total expenditures	4,080,273	2,534,653	1,921,509	8,522	8,544,957
Excess of revenues over (under) expenditures	(166,352)	(2,264,028)	(976,667)	34,179	(3,372,868)
<b>Other Financing Sources (Uses) :</b>					
Proceeds from the sale of notes and bonds	370,000	102,798	-	-	472,798
Proceeds from sale of capital assets	73,481	-	-	-	73,481
Transfers in	645,102	2,383,914	321,357	-	3,350,373
Transfers (out)	(460,659)	(6,474)	(2,416,609)	(107,136)	(2,990,878)
Total other financing sources (uses)	627,924	2,480,238	(2,095,252)	(107,136)	905,774
Net change in fund balances	461,572	216,210	(3,071,919)	(72,957)	(2,467,094)
<b>Fund Balances - Beginning of Year</b>	1,322,651	1,258,212	5,022,347	2,766,135	10,369,345
<b>Fund Balances - End of Year</b>	\$ 1,784,223	\$ 1,474,422	\$ 1,950,428	\$ 2,693,178	\$ 7,902,251

**City of Jackson, Michigan**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2004**

Ella W. Sharp														
Local Street	Operating Park	Sale of Land	Land Acquisition	Housing Initiative	Public Improvement	Building Department	Budget Stabilization	Drug Law Enforcement	Local Law Enforcement Block Grant	LAWNET Grant	Recreation Activity	Community Development Home Grant	Employee Health Care	Totals
\$ 118,249	\$ 5,481	\$ -	\$ 18,595	\$ 176,866	\$ 606,656	\$ 12,102	\$ 603,500	\$ 46,451	\$ 84,860	\$ -	\$ 77,247	\$ 32,145	\$ 5,000	\$ 1,787,152
18,245	-	-	-	-	-	30,609	-	-	-	-	122	-	-	48,976
106,906	-	-	-	-	-	-	-	-	-	-	-	-	-	106,906
-	-	-	-	-	-	-	-	-	-	10,976	-	-	-	10,976
-	12,513	-	-	-	-	-	-	-	-	-	-	-	-	12,513
Assets :														
Cash and cash equivalents														
Accounts receivables (net of allowances for uncollectibles)														
Due from other governmental units:														
State of Michigan														
Federal Government														
Inventories, at cost														
Total assets														
\$ 243,400	\$ 17,994	\$ -	\$ 18,595	\$ 176,866	\$ 606,656	\$ 42,711	\$ 603,500	\$ 46,451	\$ 84,860	\$ 10,976	\$ 77,369	\$ 32,145	\$ 5,000	\$ 1,966,523

**Assets :**

Cash and cash equivalents  
Accounts receivables (net of allowances for uncollectibles)  
Due from other governmental units:  
State of Michigan  
Federal Government  
Inventories, at cost

Total assets

**Liabilities and Fund Balances :**

**Liabilities :**

Accounts payable  
Accrued payroll  
Due to other funds  
Deferred revenue  
Total liabilities

**Fund Balances :**

Reserved for:  
Inventory  
Unreserved  
Designated for subsequent year's expenditures  
Undesignated (deficit)  
Total fund balances

Total liabilities and fund balances

**City of Jackson, Michigan**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2004**

	Local Street	Elia W. Sharp Park Operating	Sale of Land	Land Acquisition	Housing Initiative	Public Improvement	Building Department	Budget Stabilization	Drug Law Enforcement	Local Law Enforcement Block Grant	LAWNET Grant	Recreation Activity	Community Development Home Grant	Employee Health Care	Totals
<b>Revenues:</b>															
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,024,909
Intergovernmental:															
Federal grants	-	-	-	-	-	-	-	-	-	74,606	32,352	-	661,343	-	768,301
State grants & shared revenues	629,040	-	-	-	-	-	-	-	-	-	-	-	-	-	629,040
Charges for services	-	543,914	-	-	-	-	332,077	-	-	-	-	318,680	-	-	1,194,671
Investment income	453	59	-	35	1,432	9,813	2,630	7,253	751	1,368	80	668	-	-	24,542
Miscellaneous	33,269	10,055	-	-	150,000	9	-	-	67,216	1,410	1,540	4,135	4,824	-	272,458
Total revenues	662,762	554,028	-	35	151,432	1,034,731	334,707	7,253	67,967	77,384	33,972	323,483	666,167	-	3,913,921
<b>Expenditures:</b>															
<b>Current:</b>															
Public safety	-	-	-	-	-	-	392,746	-	69,924	72,443	68,887	-	-	-	604,000
Public works	926,248	-	-	-	-	-	-	-	-	-	-	302,420	-	-	926,248
Culture and recreation	-	614,177	-	-	-	-	-	-	-	-	-	-	-	-	916,597
Community enrichment and development	-	-	-	-	23,973	169,190	-	-	-	-	-	-	666,167	-	859,330
<b>Capital outlay:</b>															
Community enrichment and development	-	-	-	516,080	229,093	-	-	-	-	-	-	-	-	-	745,173
<b>Debt service:</b>															
Principal retirement	-	-	-	-	-	20,000	-	-	-	-	-	-	-	-	20,000
Interest expense	-	-	-	-	-	8,925	-	-	-	-	-	-	-	-	8,925
Total expenditures	926,248	614,177	-	516,080	253,066	198,115	392,746	-	69,924	72,443	68,887	302,420	666,167	-	4,080,273
Excess of revenues over (under) expenditures	(263,486)	(60,149)	-	(516,045)	(101,634)	836,616	(58,039)	7,253	(1,957)	4,941	(34,915)	21,063	-	-	(166,352)
<b>Other Financing Sources (Uses):</b>															
Note proceeds	-	-	-	370,000	-	-	-	-	-	-	-	-	-	-	370,000
Proceeds from sale of capital assets	-	-	-	-	73,481	-	-	-	-	-	-	-	-	-	73,481
Transfers in	273,180	60,419	-	150,000	50,000	-	70,000	-	-	7,003	29,500	-	-	5,000	645,102
Transfers (out)	(5,120)	-	-	-	-	(418,786)	-	(7,253)	(29,500)	-	-	-	-	-	(460,659)
Total other financing sources (uses)	268,060	60,419	-	520,000	123,481	(418,786)	70,000	(7,253)	(29,500)	7,003	29,500	-	-	5,000	627,924
Net change in fund balances	4,574	270	-	3,955	21,847	417,830	11,961	-	(31,457)	11,944	(5,415)	21,063	-	5,000	461,572
<b>Fund Balances - Beginning of Year</b>	236,576	95	-	11,346	123,702	188,826	16,915	603,500	77,678	9,886	6,240	47,887	-	-	1,322,651
<b>Fund Balances - End of Year</b>	\$ 241,150	\$ 365	\$ -	\$ 15,301	\$ 145,549	\$ 606,656	\$ 28,876	\$ 603,500	\$ 46,221	\$ 21,830	\$ 825	\$ 68,950	\$ -	\$ 5,000	\$ 1,784,223

**City of Jackson, Michigan**  
**Local Street Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Amended Budget	Actual	Actual Over (Under) Final Budget	Actual
<b>Revenues :</b>				
Intergovernmental-				
Gas & weight tax distribution	\$ 581,878	\$ 629,040	\$ 47,162	\$ 576,283
Investment income	1,100	453	(647)	-
Miscellaneous	16,920	33,269	16,349	631
Total revenues	599,898	662,762	62,864	576,914
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Public works</b>				
Street construction	161,597	157,013	(4,584)	599,838
Street maintenance	598,245	589,214	(9,031)	566,789
Bridge maintenance	4,500	1,310	(3,190)	3,189
Bridge construction	513	-	(513)	-
Traffic services	44,590	28,703	(15,887)	51,614
Winter maintenance	180,000	150,008	(29,992)	128,580
Total expenditures	989,445	926,248	(63,197)	1,350,010
Excess of revenues over (under) expenditures	(389,547)	(263,486)	126,061	(773,096)
<b>Other Financing Sources :</b>				
<b>Transfers in :</b>				
Major streets	100,000	100,000	-	160,000
Community Development Block Grant Fund	31,317	12,466	(18,851)	299,606
Public Improvement Fund	-	-	-	259,659
Major/Local Streets Capital Projects	77,881	77,881	-	-
Special Assessment Capital Projects Fund	85,489	82,833	(2,656)	204,706
<b>Transfers (out) :</b>				
2003 MTF Bond Debt Service	(5,120)	(5,120)	-	-
Total other financing sources (uses)	289,567	268,060	(21,507)	923,971
Net change in fund balances	(99,980)	4,574	104,554	150,875
<b>Fund Balance - Beginning of Year</b>	236,576	236,576	-	27,838
<b>Fund Balance - End of Year</b>	\$ 136,596	\$ 241,150	\$ 104,554	\$ 236,576



**City of Jackson, Michigan**  
**Ella W. Sharp Park Operating Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues :</b>				
Charges for services	\$ 663,513	\$ 543,914	\$ (119,599)	\$ 566,896
Investment income	100	59	(41)	435
Miscellaneous	10,055	10,055	-	4,831
Total revenues	673,668	554,028	(119,640)	572,162
<b>Expenditures :</b>				
Current :				
Culture & recreation :				
Personal services	420,589	352,583	(68,006)	378,553
Materials & supplies	158,175	153,457	(4,718)	144,690
Contractual & other services	118,618	98,586	(20,032)	99,471
Capital outlay	11,164	9,551	(1,613)	28,499
Total expenditures	708,546	614,177	(94,369)	651,213
Excess of revenues over (under) expenditures	(34,878)	(60,149)	(25,271)	(79,051)
<b>Other Financing Sources :</b>				
Transfers in :				
General fund	-	18,500	18,500	-
Ella W. Sharp Endowment Fund	43,875	41,919	(1,956)	68,277
Total other financing sources	43,875	60,419	16,544	68,277
Net change in fund balances	8,997	270	(8,727)	(10,774)
<b>Fund Balance - Beginning of Year</b>	95	95	-	13,098
<b>Fund Balance - End of Year</b>	\$ 9,092	\$ 365	\$ (8,727)	\$ 95

**City of Jackson, Michigan**  
**Sale of Land Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003
	Amended Budget	Actual	Actual Over (Under) Final Budget	Actual
<b>Revenues :</b>				
Charges for services :				
Sale of cemetery lots	\$ -	\$ -	\$ -	15,653
Sale of land - other	-	-	-	1,308
Total revenues	-	-	-	16,961
<b>Expenditures</b>	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	16,961
<b>Other Financing Uses :</b>				
Transfers out :				
General Fund	-	-	-	(16,961)
Housing Initiative Fund	(44,376)	-	44,376	-
Total other financing sources	(44,376)	-	44,376	(16,961)
Net change in fund balances	(44,376)	-	44,376	-
<b>Fund Balance - Beginning of Year</b>	-	-	-	44,376
<b>Fund Balance - End of Year</b>	\$ (44,376)	\$ -	\$ 44,376	\$ -

**City of Jackson, Michigan**  
**Land Acquisition Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			2003 Actual
	Amended Budget	Actual	Actual Over (Under) Final Budget	
<b>Revenues :</b>				
Investment income	\$ -	\$ 35	35	112
<b>Expenditures -</b>				
Capital outlay:				
Community enrichment and development	528,300	516,080	(12,220)	12,416
Excess of revenues over (under) expenditures	(528,300)	(516,045)	12,255	(12,304)
<b>Other Financing Sources :</b>				
Bond proceeds	370,000	370,000	-	-
Transfers in -				
General Fund	150,000	150,000	-	60,000
Total other financing sources (uses)	520,000	520,000	-	60,000
Net change in fund balances	(8,300)	3,955	12,255	47,696
<b>Fund Balance - Beginning of Year</b>	11,346	11,346	-	-
<b>Fund Balance - End of Year</b>	\$ 3,046	\$ 15,301	\$ 12,255	\$ 11,346

**City of Jackson, Michigan**  
**Housing Initiative Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Revenues :</b>				
Investment income	\$ 600	\$ 1,432	\$ 832	\$ 757
Other	250,000	150,000	(100,000)	120,000
Total revenues	250,600	151,432	(99,168)	120,757
<b>Expenditures</b>				
<b>Current:</b>				
Community enrichment and development	40,050	23,973	(16,077)	41,431
<b>Capital outlay:</b>				
Community enrichment and development	402,000	229,093	(172,907)	-
Total expenditures	442,050	253,066	(188,984)	41,431
Excess of revenues over (under) expenditures	(191,450)	(101,634)	89,816	79,326
<b>Other Financing Uses :</b>				
Proceeds from sale of capital assets	165,500	73,481	(92,019)	-
<b>Transfers in :</b>				
General Fund	50,000	50,000	-	-
Sale of Land Fund	-	-	-	44,376
Total other financing sources	215,500	123,481	(92,019)	44,376
Net change in fund balances	24,050	21,847	(2,203)	123,702
<b>Fund Balance - Beginning of Year</b>	123,702	123,702	-	-
<b>Fund Balance - End of Year</b>	\$ 147,752	\$ 145,549	\$ (2,203)	\$ 123,702

**City of Jackson, Michigan**  
**Public Improvement Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Revenues :</b>				
Property taxes	\$ 1,028,942	\$ 1,024,909	\$ (4,033)	\$ 967,410
Investment income	15,000	9,813	(5,187)	16,111
Miscellaneous	-	9	9	-
Total revenues	1,043,942	1,034,731	(9,211)	983,521
<b>Expenditures :</b>				
<b>Current :</b>				
Community enrichment & development	172,790	169,190	(3,600)	171,137
<b>Debt service:</b>				
Principal retirement	20,000	20,000	-	15,000
Interest	8,925	8,925	-	9,471
Total expenditures	201,715	198,115	(3,600)	195,608
Excess of revenues over (under) expenditures	842,227	836,616	(5,611)	787,913
<b>Other Financing Uses :</b>				
<b>Transfers in (out) :</b>				
General Fund	(168,025)	(68,589)	99,436	(156,527)
Capital Projects Fund	(216,389)	(168,189)	48,200	(398,666)
Major Street Fund	(450,000)	(182,008)	267,992	-
Local Street Fund	-	-	-	(259,659)
Total other financing (uses)	(834,414)	(418,786)	415,628	(814,852)
Net change in fund balances	7,813	417,830	410,017	(26,939)
<b>Fund Balance - Beginning of Year</b>	188,826	188,826	-	43,512
<b>Fund Balance - End of Year</b>	\$ 196,639	\$ 606,656	\$ 410,017	\$ 188,826

**City of Jackson, Michigan**  
**Building Department**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Revenues :</b>				
Charges for services	\$ 249,000	\$ 332,077	\$ 83,077	\$ 27,034
Licenses and permits	-	-	-	317,300
Miscellaneous	-	-	-	7,961
Investment income	2,500	2,630	130	10,957
Total revenues	251,500	334,707	83,207	363,252
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Public Safety:</b>				
Personal services	448,315	365,635	(82,680)	405,620
Materials & supplies	21,600	12,567	(9,033)	10,360
Inspection services	25,000	16,975	(8,025)	29,955
Contractual & other services	37,490	(2,431)	(39,921)	71,311
Total expenditures	532,405	392,746	(139,659)	517,246
Excess of revenues over (under) expenditures	(280,905)	(58,039)	222,866	(153,994)
<b>Other Financing Sources :</b>				
<b>Transfers in :</b>				
General fund	280,905	70,000	(210,905)	156,643
Net change in fund balances	-	11,961	11,961	2,649
<b>Fund Balance - Beginning of Year</b>	16,915	16,915	-	1,551
<b>Fund Balance - End of Year</b>	\$ 16,915	\$ 28,876	\$ 11,961	\$ 16,915

**City of Jackson, Michigan**  
**Budget Stabilization**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Revenues :</b>				
Investment income	\$ 12,000	\$ 7,253	\$ (4,747)	\$ 15,862
<b>Expenditures</b>	-	-	-	-
Excess of revenues over (under) expenditures	12,000	7,253	(4,747)	15,862
<b>Other Financing Sources (Uses) :</b>				
<b>Transfers in:</b>				
General Fund	-	-	-	(15,862)
<b>Transfers (out):</b>				
General Fund	(12,000)	(7,253)	4,747	-
Total other financing (uses)	(12,000)	(7,253)	4,747	(15,862)
Net change in fund balances	-	-	-	-
<b>Fund Balance - Beginning of Year</b>	603,500	603,500	-	603,500
<b>Fund Balance - End of Year</b>	\$ 603,500	\$ 603,500	\$ -	\$ 603,500

**City of Jackson, Michigan**  
**Drug Law Enforcement Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Revenues :</b>				
Investment income	\$ 987	\$ 751	\$ (236)	\$ 2,635
Miscellaneous :				
Sale of property	2,000	2,881	881	246
Other	41,749	64,335	22,586	16,229
Total revenues	44,736	67,967	23,231	19,110
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Public safety :</b>				
Materials and supplies	878	851	(27)	1,849
Contractual and other services	6,969	6,183	(786)	24,729
Capital Outlay	62,890	62,890	-	-
Total expenditures	70,737	69,924	(813)	26,578
Excess of revenues over (under) expenditures	(26,001)	(1,957)	24,044	(7,468)
<b>Other Financing Sources (Uses) :</b>				
<b>Transfers (out):</b>				
LAWNET Grant Fund	(35,034)	(29,500)	5,534	(30,616)
Total other financing (uses)	(35,034)	(29,500)	5,534	(30,616)
Net change in fund balances	(61,035)	(31,457)	29,578	(38,084)
<b>Fund Balance - Beginning of Year</b>	77,678	77,678	-	121,061
<b>Fund Balance - End of Year</b>	\$ 16,643	\$ 46,221	\$ 29,578	\$ 77,678



**City of Jackson, Michigan**  
**Local Law Enforcement Block Grant**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004				
	Amended Budget	Actual	Actual Over (Under) Final Budget	2003 Actual	
<b>Revenues :</b>					
Intergovernmental - Federal grants	\$ 67,656	\$ 74,606	\$ 6,950	\$ 79,172	
Investment income	1,343	1,368	25	2,470	
Miscellaneous	1,410	1,410	-	-	
Total revenues	70,409	77,384	6,975	81,642	
<b>Expenditures :</b>					
Current :					
Public safety :					
Personal services	70,462	67,400	(3,062)	14,090	
Capital outlay	4,711	5,043	332	74,956	
Total expenditures	75,173	72,443	(2,730)	89,046	
Excess of revenues over (under) expenditures	(4,764)	4,941	9,705	(7,404)	
<b>Other Financing Sources :</b>					
Transfers in :					
General Fund	7,003	7,003	-	16,107	
Net change in fund balances	2,239	11,944	9,705	8,703	
<b>Fund Balance - Beginning of Year</b>	9,886	9,886	-	1,775	
<b>Fund Balance - End of Year</b>	\$ 12,125	\$ 21,830	\$ 9,705	\$ 9,886	

**City of Jackson, Michigan**  
**LAWNET Grant Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Revenues :</b>				
Intergovernmental - Federal grants	\$ 32,460	\$ 32,352	\$ (108)	\$ 24,079
Investment income	5	80	75	151
Miscellaneous	1,540	1,540	-	-
Total revenues	34,005	33,972	(33)	24,230
<b>Expenditures :</b>				
Current :				
Public safety :				
Personal services	67,969	68,279	310	52,978
Contractual and other services	1,338	608	(730)	730
Total expenditures	69,307	68,887	(420)	53,708
Excess of revenues over (under) expenditures	(35,302)	(34,915)	387	(29,478)
<b>Other Financing Sources :</b>				
Transfers in :				
Drug Law Enforcement Fund	35,034	29,500	(5,534)	30,616
Net change in fund balances	(268)	(5,415)	(5,147)	1,138
<b>Fund Balance - Beginning of Year</b>	6,240	6,240	-	4,619
<b>Fund Balance - End of Year</b>	\$ 5,972	\$ 825	\$ (5,147)	\$ 6,240

**City of Jackson, Michigan**  
**Recreation Activity Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Revenues :</b>				
Charges for services	\$ 332,000	\$ 318,680	\$ (13,320)	\$ 289,052
Investment income	1,000	668	(332)	1,560
Miscellaneous	4,135	4,135	-	-
Total revenues	337,135	323,483	(13,652)	290,612
<b>Expenditures :</b>				
Current :				
Culture & recreation :				
Personal services	146,466	125,129	(21,337)	150,325
Materials & supplies	50,000	28,193	(21,807)	43,320
Contractual & other services	145,300	149,098	3,798	105,802
Total expenditures	341,766	302,420	(39,346)	299,447
Net change in fund balances	(4,631)	21,063	25,694	(8,835)
<b>Fund Balance - Beginning of Year</b>	47,887	47,887	-	74,234
<b>Fund Balance - End of Year</b>	\$ 43,256	\$ 68,950	\$ 25,694	\$ 47,887

**City of Jackson, Michigan**  
**Community Development Home Grant Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Actual Over (Under) Final Budget	2003 Actual
<b>Revenues :</b>				
Intergovernmental - Federal and state grants	\$ 1,222,606	\$ 661,343	\$ (561,263)	\$ 267,458
Miscellaneous	(135,769)	4,824	140,593	44,389
Total revenues	1,086,837	666,167	(420,670)	311,847
<b>Expenditures :</b>				
<b>Current :</b>				
<b>Community enrichment &amp; development</b>				
Rehabilitation assistance	759,512	512,468	(247,044)	187,950
Rental rehabilitation	26,230	-	(26,230)	2
Community housing development organizations	199,507	56,026	(143,481)	90,789
Administration and other	101,088	97,673	(3,415)	33,106
Total expenditures	1,086,337	666,167	(420,170)	311,847
Net change in fund balances	500	-	(500)	-
<b>Fund Balance - Beginning of Year</b>	-	-	-	-
<b>Fund Balance - End of Year</b>	\$ 500	\$ -	\$ (500)	\$ -

**City of Jackson, Michigan**  
**Employee Health Care Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Amended Budget and Actual**  
**For the Fiscal Year Ended June 30, 2004**  
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2003

	2004		Variance - Favorable (Unfavorable)	2003 Actual
	Amended Budget	Actual		
<b>Other Financing Sources :</b>				
Transfers in -				
General Fund	\$ 5,000	\$ 5,000	\$ -	\$ -
Net change in fund balances	5,000	5,000	-	-
<b>Fund Balance - Beginning of Year</b>	-	-	-	-
<b>Fund Balance - End of Year</b>	\$ 5,000	\$ 5,000	\$ -	\$ -



**City of Jackson, Michigan**  
**Nonmajor Debt Service Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2004**

	2003 City Hall Construction Debit	Michigan		1998 Michigan Transportation		State		2003		2002		Section 108		1995		1996		Totals
		Urban Land Assembly Loan Debit	Service	Fund Debit	Service	Infrastructure Bank Loan Debit	Authority Debit	MTF Bond Debit	Service	BRA TIF Debit	Service	Loan Debit	Service	Special Assessment Bond Debit	Service	Special Assessment Bond Debit	Service	
<b>Revenues:</b>																		
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,578
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	4,099	-	41,369	-	45,468
Investment income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	11	-	-	-	-	-	217,578	-	245	6,267	6,267	-	-	4,341	-	814	-	270,635
<b>Expenditures:</b>																		
<b>Debt service:</b>																		
Principal retirement	-	84,000	-	100,000	-	174,679	-	-	195,000	-	-	-	65,000	40,000	-	75,000	-	883,679
Interest & fiscal charges	-	-	-	23,505	-	6,987	68,128	42,891	477,905	955,220	955,220	65,278	65,278	2,795	-	8,265	-	1,650,974
Total expenditures	-	84,000	-	123,505	-	181,666	218,128	42,891	672,905	955,220	955,220	130,278	130,278	42,795	-	83,265	-	2,534,653
Excess of revenues over (under) expenditures	11	(84,000)	-	(123,505)	-	(181,666)	(550)	(42,891)	(672,660)	(948,953)	(948,953)	(130,278)	(130,278)	(38,454)	-	(41,062)	-	(2,264,028)
<b>Other Financing Sources:</b>																		
Bond proceeds	102,798	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,798
Transfers in	-	84,000	-	123,505	-	181,661	-	42,891	1,000,000	815,105	815,105	130,278	130,278	6,474	-	-	-	2,383,914
Transfers (out)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,474)	-	(6,474)
Total other financing sources	102,798	84,000	-	123,505	-	181,661	42,891	-	1,000,000	815,105	815,105	130,278	130,278	6,474	-	(6,474)	-	2,480,238
Net change in fund balances	102,809	-	-	-	-	(5)	(550)	-	327,340	(133,848)	(133,848)	-	-	(31,980)	-	(47,556)	-	216,210
<b>Fund Balances - Beginning of Year</b>	-	-	-	7	-	5	3,901	-	83,355	1,016,668	1,016,668	-	-	31,980	-	122,296	-	1,258,212
<b>Fund Balances - End of Year</b>	\$ 102,809	\$ -	\$ -	7	\$ -	\$ -	\$ 3,351	\$ -	\$ 410,695	\$ 882,820	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,740	\$ -	\$ 1,474,422

**City of Jackson, Michigan  
Nonmajor Capital Projects Funds  
Combining Balance Sheet  
June 30, 2004**

	<b>Capital Projects</b>	<b>2001 DDA TIF Construction Fund</b>	<b>2002 BRA TIF Construction Fund</b>	<b>2003 MTF Bond Construction</b>	<b>Downtown Development Authority Project</b>	<b>Totals</b>
<b>Assets:</b>						
Cash and cash equivalents	\$ 4,671	\$ -	\$ 342,339	\$ 260,211	\$ 1,036,558	\$ 1,643,779
Due from other funds	-	200,000	-	-	156,000	356,000
Receivables (net of allowances for uncollectibles) - Accounts receivable	13,100	-	-	-	-	13,100
	<u>\$ 17,771</u>	<u>\$ 200,000</u>	<u>\$ 342,339</u>	<u>\$ 260,211</u>	<u>\$ 1,192,558</u>	<u>\$ 2,012,879</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 3,005	\$ 9,362	\$ -	\$ -	\$ -	\$ 12,367
Due to other funds	-	42,662	-	-	-	42,662
Other liabilities	7,422	-	-	-	-	7,422
	<u>10,427</u>	<u>52,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,451</u>
<b>Fund Balances:</b>						
Unreserved :						
Undesignated	7,344	147,976	342,339	260,211	1,192,558	1,950,428
	<u>7,344</u>	<u>147,976</u>	<u>342,339</u>	<u>260,211</u>	<u>1,192,558</u>	<u>1,950,428</u>
Total liabilities and fund balances	<u>\$ 17,771</u>	<u>\$ 200,000</u>	<u>\$ 342,339</u>	<u>\$ 260,211</u>	<u>\$ 1,192,558</u>	<u>\$ 2,012,879</u>



**City of Jackson, Michigan**  
**Nonmajor Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2004**

	Capital Projects	2001 DDA TIF Construction Fund	2002 BRA TIF Construction Fund	2003 MTF Bond Construction	Downtown Development Authority Project	Totals
<b>Revenues:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 847,306	\$ 847,306
State revenue	-	13,000	-	7,624	-	20,624
Donations	28,100	-	-	-	-	28,100
Investment income	1	22,791	13,108	7,452	5,460	48,812
Total revenues	28,101	35,791	13,108	15,076	852,766	944,842
<b>Expenditures:</b>						
<b>Capital outlay -</b>						
Public works	-	-	-	42,131	-	42,131
Community enrichment & development	349,458	589,513	940,407	-	-	1,879,378
Total expenditures	349,458	589,513	940,407	42,131	-	1,921,509
Excess of revenues over (under) expenditures	(321,357)	(553,722)	(927,299)	(27,055)	852,766	(976,667)
<b>Other Financing Sources (Uses):</b>						
<b>Transfers in (out) :</b>						
Major Street Fund	-	(60,000)	-	(351,338)	-	(411,338)
Local Street Fund	-	-	-	(77,881)	-	(77,881)
2001 DDA TIF debt service	-	(1,000,000)	-	-	-	(1,000,000)
2001 BRA TIF debt service	-	-	(815,105)	-	-	(815,105)
Michigan Urban Land Assembly debt service	-	-	-	-	(84,000)	(84,000)
Auto Parking System	-	-	-	-	(28,285)	(28,285)
Public Improvement Fund	168,189	-	-	-	-	168,189
Community Development	153,168	-	-	-	-	153,168
Total other financing sources (uses)	321,357	(1,060,000)	(815,105)	(429,219)	(112,285)	(2,095,252)
Net change in fund balances	-	(1,613,722)	(1,742,404)	(456,274)	740,481	(3,071,919)
<b>Fund Balances - Beginning of Year</b>	7,344	1,761,698	2,084,743	716,485	452,077	5,022,347
<b>Fund Balances - End of Year</b>	\$ 7,344	\$ 147,976	\$ 342,339	\$ 260,211	\$ 1,192,558	\$ 1,950,428

**City of Jackson, Michigan**  
**Nonmajor Permanent Funds**  
**Combining Balance Sheet**  
**June 30, 2004**

	<b>Ella W. Sharp Park Endowment</b>	<b>Cuiss Endowment</b>	<b>Cemetery Perpetual Maintenance</b>	<b>Total</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,748	\$ -	\$ -	\$ 1,748
Investments, at fair value	973,247	25,225	1,577,126	2,575,598
Interest receivable	-	-	19,072	19,072
Long-term advance to other funds :				
Ella W. Sharp Park Golf Practice Center Fund	140,000	-	-	140,000
<b>Total assets</b>	<b>\$ 1,114,995</b>	<b>\$ 25,225</b>	<b>\$ 1,596,198</b>	<b>\$ 2,736,418</b>
<b>Liabilities and Fund Balance:</b>				
<b>Liabilities -</b>				
Due to other funds	\$ -	\$ 225	\$ 43,015	\$ 43,240
<b>Fund Balances :</b>				
Reserved for :				
Perpetual Care	-	-	1,513,813	1,513,813
Endowment principal - Ella Sharp Park	1,114,995	-	-	1,114,995
Endowment principal - Cuiss	-	25,000	-	25,000
Unreserved, undesignated	-	-	39,370	39,370
	1,114,995	25,000	1,553,183	2,693,178
<b>Total liabilities and fund balances</b>	<b>\$ 1,114,995</b>	<b>\$ 25,225</b>	<b>\$ 1,596,198</b>	<b>\$ 2,736,418</b>

**City of Jackson, Michigan**  
**Nonmajor Permanent Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2004**

	Ella W. Sharp Park Endowment	Cuiss Endowment	Cemetery Perpetual Maintenance	Totals
<b>Revenues :</b>				
Charges for services - sales	\$ -	\$ -	\$ 21,378	\$ 21,378
Investment income (loss)	24,943	1,019	(4,639)	21,323
Total operating revenues	24,943	1,019	16,739	42,701
<b>Expenditures</b>	-	552	7,970	8,522
Revenues over (under) expenditures	24,943	467	8,769	34,179
<b>Transfers in (Out) :</b>				
Ella W. Sharp Golf Practice Center	-	(225)	-	(225)
General Fund	-	-	(64,992)	(64,992)
Ella W. Sharp Park Operating Fund	(41,919)	-	-	(41,919)
Total transfers out	(41,919)	(225)	(64,992)	(107,136)
Net change in fund balances	(16,976)	242	(56,223)	(72,957)
<b>Fund Balances - Beginning of Year</b>	1,131,971	24,758	1,609,406	2,766,135
<b>Fund Balances - End of Year</b>	\$ 1,114,995	\$ 25,000	\$ 1,553,183	\$ 2,693,178

**City of Jackson, Michigan**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Net Assets**  
**June 30, 2004**

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Totals
<b>Assets :</b>				
<b>Current Assets :</b>				
Cash and cash equivalents	\$ 11,451	\$ 115,104	\$ 289,647	\$ 416,202
Due from other funds	225	-	-	225
Current assets	<u>11,676</u>	<u>115,104</u>	<u>289,647</u>	<u>416,427</u>
<b>Noncurrent Assets :</b>				
Capital Assets				
Land and land improvements	356,715	2,399,829	-	2,756,544
	<u>356,715</u>	<u>2,399,829</u>	<u>-</u>	<u>2,756,544</u>
Less : Accumulated depreciation	160,522	314,700	-	475,222
Net capital assets	<u>196,193</u>	<u>2,085,129</u>	<u>-</u>	<u>2,281,322</u>
Total assets	<u>207,869</u>	<u>2,200,233</u>	<u>289,647</u>	<u>2,697,749</u>
<b>Liabilities :</b>				
<b>Current Liabilities :</b>				
Accounts payable	2,646	36	34	2,716
Accrued payroll	2,550	-	1,249	3,799
Deferred revenue	-	-	-	-
Installment purchase contract payable	-	50,000	-	50,000
Total current liabilities	<u>5,196</u>	<u>50,036</u>	<u>1,283</u>	<u>56,515</u>
<b>Non-Current Liabilities :</b>				
Long term advance from Ella W. Sharp Park Endowment Fund	140,000	-	-	140,000
Installment purchase contract payable	-	450,000	-	450,000
Total non-current liabilities	<u>140,000</u>	<u>450,000</u>	<u>-</u>	<u>590,000</u>
Total liabilities	<u>145,196</u>	<u>500,036</u>	<u>1,283</u>	<u>646,515</u>
<b>Net Assets :</b>				
Invested in capital assets, net of related debt	56,193	1,585,129	-	1,641,322
Unrestricted	<u>6,480</u>	<u>115,068</u>	<u>288,364</u>	<u>409,912</u>
Total net assets	<u>\$ 62,673</u>	<u>\$ 1,700,197</u>	<u>\$ 288,364</u>	<u>\$ 2,051,234</u>

**City of Jackson, Michigan**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2004**

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Totals
<b>Operating Revenues:</b>				
Charges for sales and services	\$ 59,179	\$ 47,694	\$ 79,643	\$ 186,516
Other	1,240	-	-	1,240
Total operating revenues	<u>60,419</u>	<u>47,694</u>	<u>79,643</u>	<u>187,756</u>
<b>Operating Expenses:</b>				
Personal services	50,842	-	55,034	105,876
Materials and supplies	3,462	-	-	3,462
Contractual and other services	2,587	2,453	91,338	96,378
Depreciation	17,836	47,060	-	64,896
Total operating expenses	<u>74,727</u>	<u>49,513</u>	<u>146,372</u>	<u>270,612</u>
Operating income (loss)	<u>(14,308)</u>	<u>(1,819)</u>	<u>(66,729)</u>	<u>(82,856)</u>
<b>Non-operating Revenues (Expenses):</b>				
Investment income	119	1,059	3,623	4,801
Interest and fiscal charges	(7,000)	(24,557)	-	(31,557)
Total non-operating revenues (expenses)	<u>(6,881)</u>	<u>(23,498)</u>	<u>3,623</u>	<u>(26,756)</u>
Income (loss) before transfers	<u>(21,189)</u>	<u>(25,317)</u>	<u>(63,106)</u>	<u>(109,612)</u>
<b>Transfers In:</b>				
Transfers In - General Fund	-	-	18,880	18,880
Transfers In - Special Assessment Capital Projects	-	-	58,045	58,045
Transfers In - Cuiss Endowment	225	-	-	225
Transfers In - DDA Capital Projects	-	28,285	-	28,285
Total transfers in	<u>225</u>	<u>28,285</u>	<u>76,925</u>	<u>105,435</u>
Change in net assets	<u>(20,964)</u>	<u>2,968</u>	<u>13,819</u>	<u>(4,177)</u>
<b>Net Assets - Beginning of Year, as restated</b>	<u>83,637</u>	<u>1,697,229</u>	<u>274,545</u>	<u>2,055,411</u>
<b>Net Assets - End of Year</b>	<u>\$ 62,673</u>	<u>\$ 1,700,197</u>	<u>\$ 288,364</u>	<u>\$ 2,051,234</u>

**City of Jackson, Michigan**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2004**

	Ella W. Sharp Park Golf Practice Center	Automobile Parking System	Parking Assessment	Totals
<b>Cash flows from operating activities</b>				
Payments to employees	\$ (50,174)	\$ -	\$ (55,113)	\$ (105,287)
Payments to vendors and claimants	(3,463)	(2,487)	(91,589)	(97,539)
Receipts from customers and users	60,419	47,694	79,643	187,756
Net cash provided by (used in) operating activities	6,782	45,207	(67,059)	( 15,070)
<b>Cash flows from capital and related financing activities</b>				
Principal and interest paid on long-term debt	-	(74,557)	-	( 74,557)
Principal and interest paid on advance	(7,000)	-	-	( 7,000)
Net cash used in capital and related financing activities	(7,000)	(74,557)	-	( 81,557)
<b>Cash flows from non-capital financing activities</b>				
Transfer in	-	28,285	76,925	105,210
<b>Cash flows from investing activities</b>				
Interest received on investments	119	1,059	3,623	4,801
Net increase (decrease) in cash and cash equivalents	(99)	(6)	13,489	13,384
Cash and cash equivalents, beginning of year	11,550	115,110	276,158	402,818
Cash and cash equivalents, end of year	\$ 11,451	\$ 115,104	\$ 289,647	\$ 416,202
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (14,308)	\$ (1,819)	\$ (66,729)	\$ (82,856)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	17,836	47,060	-	64,896
Increase (decrease) in:				
Accounts payable	2,586	(34)	(251)	2,301
Accrued payroll	668	-	(79)	589
Net cash provided by (used in) operating activities	\$ 6,782	\$ 45,207	\$ (67,059)	\$ (15,070)

**City of Jackson, Michigan**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2004**

	Workers' Compensation	Data Processing Equipment	Motor Pool and Garage	Public Works Administration Fund	Engineering Administration Fund	Totals
<b>Assets :</b>						
<b>Current Assets :</b>						
Cash and cash equivalents	\$ 1,089,383	\$ -	\$ 937,079	\$ 261,991	\$ 151,065	\$ 2,439,518
Accounts receivable	-	-	-	78,355	-	78,355
Prepaid items	46,000	-	-	-	-	46,000
Total current assets	1,135,383	-	937,079	340,346	151,065	2,563,873
<b>Noncurrent Assets:</b>						
Long-term advances						
Special Assessment Capital Projects Fund	717,389	-	-	-	-	717,389
Capital assets						
Equipment	-	250,242	3,238,733	-	-	3,488,975
Less : Accumulated depreciation	-	250,242	2,590,996	-	-	2,841,238
Net capital assets	-	-	647,737	-	-	647,737
Total noncurrent assets	717,389	-	647,737	-	-	1,365,126
Total assets	1,852,772	-	1,584,816	340,346	151,065	3,928,999
<b>Liabilities :</b>						
<b>Current Liabilities :</b>						
Accounts payable	5,528	-	19,069	11,005	2,565	38,167
Accrued payroll	-	-	6,549	34,814	10,481	51,844
Accrued compensated absences	-	-	-	20,285	5,943	26,228
Total current liabilities	5,528	-	25,618	66,104	18,989	116,239
<b>Non-Current Liabilities :</b>						
Accrued compensated absences	-	-	-	34,162	26,721	60,883
Estimated claims payable	421,990	-	-	-	-	421,990
Total non-current liabilities	421,990	-	-	34,162	26,721	482,873
Total liabilities	427,518	-	25,618	100,266	45,710	599,112
<b>Net assets :</b>						
Investment in capital assets, net of related debt	-	-	647,737	-	-	647,737
Unrestricted	1,425,254	-	911,461	240,080	105,355	2,682,150
Total net assets	\$ 1,425,254	\$ -	\$ 1,559,198	\$ 240,080	\$ 105,355	\$ 3,329,887

**City of Jackson, Michigan**  
**All Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Fiscal Year Ended June 30, 2004**

	<b>Workers'</b>	<b>Data</b>	<b>Motor Pool</b>	<b>Public Works</b>	<b>Engineering</b>	
	<b>Compensation</b>	<b>Processing</b>	<b>and</b>	<b>Administration</b>	<b>Administration</b>	
		<b>Equipment</b>	<b>Garage</b>	<b>Fund</b>	<b>Fund</b>	<b>Totals</b>
<b>Operating Revenues:</b>						
Charges for services:						
Equipment rentals	\$ -	\$ 93,618	\$ 1,177,673	\$ 743,094	\$ 359,281	\$ 2,373,666
Services rendered	244,323	-	-	-	-	244,323
Miscellaneous	39,656	-	63,269	15,574	4,336	122,835
Total operating revenues	283,979	93,618	1,240,942	758,668	363,617	2,740,824
<b>Operating Expenses:</b>						
Personal services	-	-	277,016	574,479	231,282	1,082,777
Administration	-	-	-	126,585	87,634	214,219
Materials and supplies	-	-	304,034	-	-	304,034
Contractual and other services	467,656	-	304,152	-	-	771,808
Benefit payments:						
Workers' compensation claims	195,600	-	-	-	-	195,600
Workers' compensation administrative fees and reinsurance	72,206	-	-	-	-	72,206
Equipment	-	-	21,413	-	-	21,413
Depreciation	-	88,319	187,560	-	-	275,879
Total operating expenses	735,462	88,319	1,094,175	701,064	318,916	2,937,936
Operating income (loss)	(451,483)	5,299	146,767	57,604	44,701	(197,112)
<b>Non-operating Revenues (Expenses):</b>						
Investment income	55,276	-	10,117	4,799	1,170	71,362
Interest and fiscal charges	-	(5,299)	-	-	-	(5,299)
Total non-operating revenues	55,276	(5,299)	10,117	4,799	1,170	66,063
Net income (loss)	(396,207)	-	156,884	62,403	45,871	(131,049)
<b>Retained Earnings - Beginning of Year</b>	1,821,461	-	1,402,314	177,677	59,484	3,460,936
<b>Retained Earnings - End of Year</b>	\$ 1,425,254	\$ -	\$ 1,559,198	\$ 240,080	\$ 105,355	\$ 3,329,887



**City of Jackson, Michigan**  
**All Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2004**

	Workers' Compensation	Data Processing Equipment	Motor Pool and Garage	Public Works Administration Fund	Engineering Administration Fund	Totals
<b>Cash flows from operating activities</b>						
Payments to employees	\$ -	\$ -	\$ (273,835)	\$ (560,056)	\$ (226,291)	\$ (1,060,182)
Payments to vendors and claimants	(814,173)	-	(655,825)	(129,082)	(88,438)	(1,687,518)
Receipts for interfund services provided	283,979	93,618	1,240,942	751,043	363,675	2,733,257
Net cash provided by (used in) operating activities	(530,194)	93,618	311,282	61,905	48,946	(14,443)
<b>Cash flows from capital and related financing activities</b>						
Principal and interest repaid on advances	-	(93,618)	-	-	-	(93,618)
Proceeds from advance repayments	205,512	-	-	-	-	205,512
Net cash provided by (used in) capital and related financing activities	205,512	(93,618)	-	-	-	111,894
<b>Cash flows from investing activities</b>						
Interest received on investments	55,276	-	10,117	4,799	1,170	71,362
Net increase (decrease) in cash and cash equivalents	(269,406)	-	321,399	66,704	50,116	168,813
Cash and cash equivalents, beginning of year	1,358,789	-	615,680	195,287	100,949	2,270,705
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,089,383</b>	<b>\$ -</b>	<b>\$ 937,079</b>	<b>\$ 261,991</b>	<b>\$ 151,065</b>	<b>\$ 2,439,518</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Operating income (loss)	\$ (451,483)	\$ 5,299	\$ 146,767	\$ 57,604	\$ 44,701	(197,112)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	-	88,319	187,560	-	-	275,879
(Increase) decrease in:						
Accounts receivable	-	-	-	(7,625)	58	(7,567)
Prepaid items	(30,000)	-	-	-	-	(30,000)
Increase (decrease) in:						
Accounts payable	(10,691)	-	(26,226)	(2,497)	(804)	(40,218)
Accrued payroll	-	-	3,181	21,985	5,489	30,655
Accrued compensated absences	-	-	-	(7,562)	(498)	(8,060)
Estimated claims payable	(38,020)	-	-	-	-	(38,020)
Net cash provided by (used in) operating activities	\$ (530,194)	\$ 93,618	\$ 311,282	\$ 61,905	\$ 48,946	\$ (14,443)

**City of Jackson, Michigan**  
**All Pension Trust Funds**  
**Combining Statement of Plan Net Assets**  
**June 30, 2004**

	<b>Employees' Retirement System</b>	<b>Policemen's and Firemen's Pension</b>	<b>Policemen's and Firemen's Pension - Act 345</b>	<b>Total</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 424,358	\$ 331,170	\$ 1,458,348	\$ 2,213,876
Receivables:				
Interest and dividends	148	12,349	75,305	87,802
Other	-	-	113,123	113,123
Total receivables	148	12,349	188,428	200,925
Investments, at fair value				
U.S. Government obligations	-	299,435	2,155,114	2,454,549
Domestic corporate bonds	12,933,811	1,100,033	4,147,589	18,181,433
Domestic stocks	14,433,366	3,642,886	15,520,547	33,596,799
International stocks	1,479,957	667,478	2,682,291	4,829,726
International bonds	-	158,302	633,289	791,591
Total investments	28,847,134	5,868,134	25,138,830	59,854,098
Total assets	29,271,640	6,211,653	26,785,606	62,268,899
<b>Liabilities</b>				
Refunds payable and other	-	-	235,378	235,378
Total liabilities	-	-	235,378	235,378
<b>Net assets held in trust for pension benefits</b>	<b>\$ 29,271,640</b>	<b>\$ 6,211,653</b>	<b>\$ 26,550,228</b>	<b>\$ 62,033,521</b>

**City of Jackson, Michigan**  
**All Pension Trust Funds**  
**Combining Statement of Changes in Plan Net Assets**  
**For the Fiscal Year Ended June 30, 2004**

	<b>Employees' Retirement System</b>	<b>Policemen's and Firemen's Pension</b>	<b>Policemen's and Firemen's Pension - Act 345</b>	<b>Totals</b>
<b>Additions</b>				
Contributions :				
Employer	\$ 398,583	\$ 301,041	\$ 2,192,507	\$ 2,892,131
Plan member	276,909	-	532,284	809,193
Total contributions	675,492	301,041	2,724,791	3,701,324
Investment income (loss) :				
Net appreciation in fair value of investments	2,097,647	1,105,623	3,641,557	6,844,827
Interest	692,749	71,484	292,240	1,056,473
Dividends	72,256	49,901	177,854	300,011
	2,862,652	1,227,008	4,111,651	8,201,311
Less investment expense	94,058	51,138	188,691	333,887
Net investment income	2,768,594	1,175,870	3,922,960	7,867,424
Total additions	3,444,086	1,476,911	6,647,751	11,568,748
<b>Deductions</b>				
Benefits	1,746,387	1,319,244	3,012,985	6,078,616
Refunds of contributions	15,210	-	24,221	39,431
Administrative expense	29,024	6,324	16,368	51,716
Total deductions	1,790,621	1,325,568	3,053,574	6,169,763
<b>Net increase</b>	1,653,465	151,343	3,594,177	5,398,985
<b>Net assets held in trust for pension benefits:</b>				
<b>Beginning of year</b>	27,618,175	6,060,310	22,956,051	56,634,536
<b>End of year</b>	\$ 29,271,640	\$ 6,211,653	\$ 26,550,228	\$ 62,033,521

City of Jackson, Michigan  
All Agency Funds  
Combining Balance Sheet  
June 30, 2004

	Payroll Clearing	Jeopardy Tax	County and School Tax Collection	Employee Bond Savings	Mechanic St Escrow Account	Community Development Block Grant Escrow	Act 495 Fire Trust Fund	Total
<b>Assets :</b>								
Cash and cash equivalents	\$ 120,378	\$ 2,410	\$ 12,928	\$ 630	\$ 73	\$ 57,913	\$ 33,367	\$ 227,699
<b>Liabilities :</b>								
Accounts payable	\$ 3,268	\$ -	\$ -	\$ -	\$ -	\$ 57,913	\$ 6,228	\$ 67,409
Due to other governments	35,000	2,410	12,928	-	-	-	-	50,338
Other liabilities	82,110	-	-	630	73	-	27,139	109,952
Total liabilities	\$ 120,378	\$ 2,410	\$ 12,928	\$ 630	\$ 73	\$ 57,913	\$ 33,367	\$ 227,699

**City of Jackson, Michigan**  
**All Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Fiscal Year Ended June 30, 2004**

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<b>Payroll clearing account</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 34,747	\$ 85,631	\$ -	\$ 120,378
Due from other government units	253	-	253	-
	<u>\$ 35,000</u>	<u>\$ 85,631</u>	<u>\$ 253</u>	<u>\$ 120,378</u>
<b>Liabilities :</b>				
Accounts payable	\$ -	\$ 3,268	\$ -	\$ 3,268
Due to general fund	-	-	-	-
Due to other government units	35,000	26,764,556	26,764,556	35,000
Other liabilities	-	82,110	-	82,110
	<u>\$ 35,000</u>	<u>\$ 26,849,934</u>	<u>\$ 26,764,556</u>	<u>\$ 120,378</u>
<b>Jeopardy Tax Fund :</b>				
<b>Assets :</b>				
Pooled cash and cash equivalents	\$ 2,437	\$ -	\$ 27	\$ 2,410
	<u>\$ 2,437</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 2,410</u>
<b>Liabilities :</b>				
Due to General Fund	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	2,437	-	27	2,410
	<u>\$ 2,437</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ 2,410</u>
<b>County &amp; School Tax Collection Fund :</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 12,562	\$ 27,322,999	\$ 27,322,633	\$ 12,928
Taxes receivable - real	-	20,819,694	20,819,694	-
	<u>\$ 12,562</u>	<u>\$ 48,142,693</u>	<u>\$ 48,142,327</u>	<u>\$ 12,928</u>
<b>Liabilities :</b>				
Due to other governmental units :				
Undistributed tax collections :				
Jackson County	\$ -	\$ 2,638,092	\$ 2,638,092	\$ -
Jackson Public Schools	-	5,675,018	5,675,018	-
Northwest Schools	-	19,662	19,662	-
Michigan Center Schools	-	76,657	76,657	-
East Jackson Schools	-	5,766	5,766	-
Jackson Intermediate School District	-	4,263,786	4,263,786	-
Jackson Community College	-	617,029	617,029	-
Jackson Transportation Authority	-	486,619	486,619	-
State of Michigan - Industrial Facilities Tax	-	909,245	909,245	-
State of Michigan - State Education Tax	-	2,655,963	2,655,963	-
Other	12,562	9,111,508	9,111,142	12,928
	<u>\$ 12,562</u>	<u>\$ 26,459,345</u>	<u>\$ 26,458,979</u>	<u>\$ 12,928</u>
<b>Employee Bond Savings Fund :</b>				
<b>Assets :</b>				
Pooled cash and cash equivalents	\$ 505	\$ 8,800	\$ 8,675	\$ 630
	<u>\$ 505</u>	<u>\$ 8,800</u>	<u>\$ 8,675</u>	<u>\$ 630</u>
<b>Liabilities :</b>				
Employees' bond deductions payable	\$ 505	\$ 8,800	\$ 8,675	\$ 630
	<u>\$ 505</u>	<u>\$ 8,800</u>	<u>\$ 8,675</u>	<u>\$ 630</u>
<b>Mechanic Street Escrow Account</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 73	\$ -	\$ -	\$ 73
	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73</u>
<b>Liabilities :</b>				
Customer deposits payable	\$ 73	\$ -	\$ -	\$ 73
	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73</u>

Continued

City of Jackson, Michigan  
All Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
For the Fiscal Year Ended June 30, 2004  
(Continued)

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
<b>Community Development Block Grant Escrow Fund :</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 38,122	\$ 454,535	\$ 434,744	\$ 57,913
<b>Liabilities :</b>				
Accounts payable	\$ 38,122	\$ 454,535	\$ 434,744	\$ 57,913
<b>Act 495 Fire Trust Fund</b>				
<b>Assets :</b>				
Cash and cash equivalents	\$ 12,656	\$ 33,863	\$ 13,152	\$ 33,367
<b>Liabilities :</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 6,228
Insurance deposits	12,656	33,863	19,380	27,139
	\$ 12,656	\$ 33,863	\$ 19,380	\$ 33,367
*****				
<b>Totals :</b>				
<b>Assets :</b>				
Pooled cash and cash equivalents				
Cash and cash equivalents	\$ 101,102	\$ 27,905,828	\$ 27,779,231	\$ 227,699
Taxes receivable - real	-	20,819,694	20,819,694	-
Due from other funds				
General Fund	253	-	253	-
	\$ 101,355	\$ 48,725,522	\$ 48,599,178	\$ 227,699
<b>Liabilities :</b>				
Accounts payable	\$ 38,122	\$ 457,803	\$ 428,516	\$ 67,409
Due to other governmental units :				
Undistributed tax collections :				
Jackson County	-	2,638,092	2,638,092	-
Jackson Public Schools	-	5,675,018	5,675,018	-
Northwest Schools	-	19,662	19,662	-
Michigan Center Schools	-	76,657	76,657	-
East Jackson Schools	-	5,766	5,766	-
Jackson Intermediate School District	-	4,263,786	4,263,786	-
Jackson Community College	-	617,029	617,029	-
Jackson Transportation Authority	-	486,619	486,619	-
State of Michigan - Industrial Facilities Tax	-	909,245	909,245	-
State of Michigan - State Education Tax	-	2,655,963	2,655,963	-
Other	49,999	35,876,064	35,875,725	50,338
Other liabilities :				
Employees' bond deductions payable	505	8,800	8,675	630
Insurance deposits and other	12,729	115,973	19,380	109,322
	\$ 101,355	\$ 53,806,477	\$ 53,680,133	\$ 227,699

**City of Jackson, Michigan**  
**Balance Sheet / Statement of Net Assets**  
**Brownfield Redevelopment Authority Component Unit**  
**June 30, 2004**

	<u>Capital Projects Brownfield Redevelopment Authority</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets:</b>			
Pooled cash and cash equivalents	<u>\$ 995,267</u>	<u>\$ -</u>	<u>\$ 995,267</u>
 <b>Fund Balances :</b>			
Unreserved - undesignated	<u>995,267</u>	<u>(995,267)</u>	<u>-</u>
	<u>995,267</u>	<u>(995,267)</u>	<u>-</u>
 Total liabilities and fund balance	<u><u>\$ 995,267</u></u>		
 <b>Net Assets :</b>			
Unrestricted		<u><u>\$ 995,267</u></u>	<u><u>\$ 995,267</u></u>

**City of Jackson, Michigan**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances / Statement of Activities**  
**Brownfield Redevelopment Authority Component Unit**  
**For the Fiscal Year Ended June 30, 2004**

	<u>Capital Projects</u>		
	<u>Brownfield</u>		<u>Statement</u>
	<u>Redevelopment</u>	<u>Adjustments</u>	<u>of Activities</u>
	<u>Authority</u>		
<b>Revenue:</b>			
Property tax	\$ 1,171,332	\$ -	\$ 1,171,332
Interest revenue	3,553	-	3,553
<b>Total revenue</b>	<b>1,174,885</b>	<b>-</b>	<b>1,174,885</b>
<b>Expenditures/Expenses:</b>			
Community enrichment	376,965	-	376,965
Excess of revenues over (under) expenditures	797,920	-	-
Change in net assets	-	-	797,920
<b>Fund Balances / Net Assets - Beginning of year</b>	<b>197,347</b>	<b>-</b>	<b>197,347</b>
<b>Fund Balances / Net Assets - End of year</b>	<b>\$ 995,267</b>	<b>\$ -</b>	<b>\$ 995,267</b>



## STATISTICAL SECTION

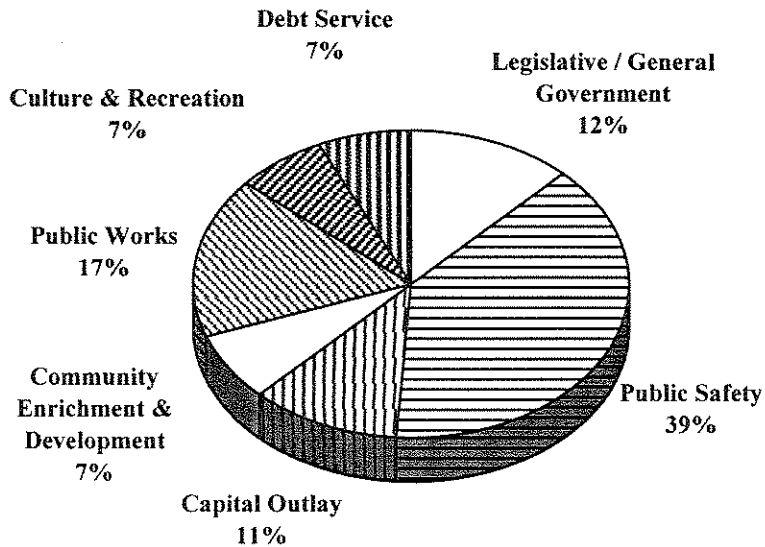
**City of Jackson, Michigan**  
**Governmental Fund Expenditures by Function (1)**  
**Last Ten Fiscal Years**

Table 1

Fiscal Year	Legislative	General Government	Public Safety	Public Works	Culture and Recreation	Community Enrichment and Development	Capital Outlay	Debt Service	Total
1995	\$ 39,992	\$ 3,279,688	\$ 12,421,723	\$ 4,932,148	\$ 1,585,773	\$ 1,552,568	\$ 145,437	\$ 1,396,257	\$ 25,353,586
1996	51,463	3,316,612	12,597,071	7,710,673	1,669,795	1,958,213	41,570	1,478,496	28,823,893
1997	59,112	3,432,620	13,612,267	7,074,128	1,816,325	2,537,467	41,329	1,561,850	30,135,098
1998	63,287	4,207,280	13,783,936	5,658,140	2,133,522	1,758,413	99,795	1,650,621	29,354,994
1999	47,067	4,108,196	13,863,581	7,388,586	2,098,722	2,335,670	481,930	811,157	31,134,909
2000	58,791	3,894,168	13,862,836	7,012,898	2,039,918	2,928,144	629,992	845,036	31,271,783
2001	61,317	4,002,020	14,123,279	8,489,758	2,098,837	4,281,114	13,323,432	765,231	47,144,988
2002	75,940	4,283,723	13,353,931	5,587,490	2,432,546	2,168,430	2,187,506	1,451,597	31,541,163
2003	76,713	4,432,218	13,816,626	9,323,432	2,555,559	16,208,105	947,770	2,456,507	49,816,930
2004	76,344	4,366,698	14,282,280	6,179,742	2,463,750	2,644,390	4,048,998	2,563,578	36,625,780

(1) Includes general, special revenue, debt service, capital project and permanent funds.

**Governmental Fund Expenditures By Function**  
**Fiscal Year 2004**



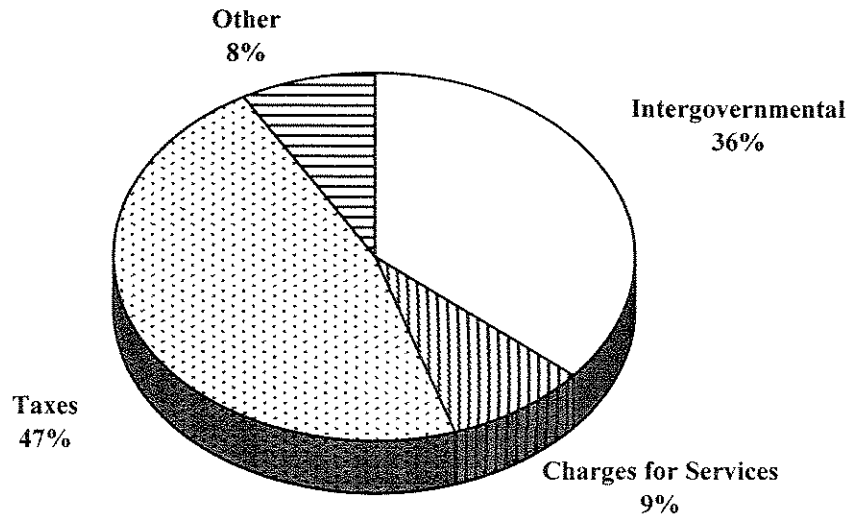
**City of Jackson, Michigan**  
**Governmental Fund Revenues By Source (1)**  
**Last Ten Fiscal Years**

Table 2

Fiscal Year	Taxes	Licenses and Permits	Inter-Governmental	Charges for Services	Fines and Forfeits	Special Assessments	Investment Income	Miscellaneous	Total
1995	\$ 12,414,942	\$ 284,178	\$ 9,325,010	\$ 1,788,684	\$ 195,375	\$ 545,770	\$ 450,851	\$ 410,125	\$ 25,414,935
1996	12,806,087	310,794	11,469,914	1,879,215	195,638	518,089	443,183	502,078	28,124,998
1997	13,409,012	322,544	10,714,223	1,992,246	206,547	518,471	469,706	585,727	28,218,476
1998	13,850,717	339,358	11,154,020	2,132,051	283,761	435,692	432,867	1,410,986	30,039,452
1999	13,425,400	446,626	12,356,559	2,260,705	335,621	614,222	389,208	686,017	30,514,358
2000	13,631,682	358,074	12,562,148	2,101,178	358,667	375,912	444,178	661,046	30,492,885
2001	13,702,763	486,357	16,474,679	2,072,603	344,046	368,804	468,792	1,275,535	35,193,579
2002	13,372,157	542,190	11,894,532	2,344,427	276,971	383,620	412,101	807,545	30,033,543
2003	13,596,113	218,273	14,305,787	2,882,738	250,233	266,702	476,978	1,475,169	33,471,993
2004	14,879,726	216,538	11,534,408	2,875,007	264,746	478,716	253,453	1,454,100	31,956,694

(1) Includes general, special revenue, debt service, capital project and permanent funds.

**Governmental Fund Revenues By Source**  
**Fiscal Year 2004**



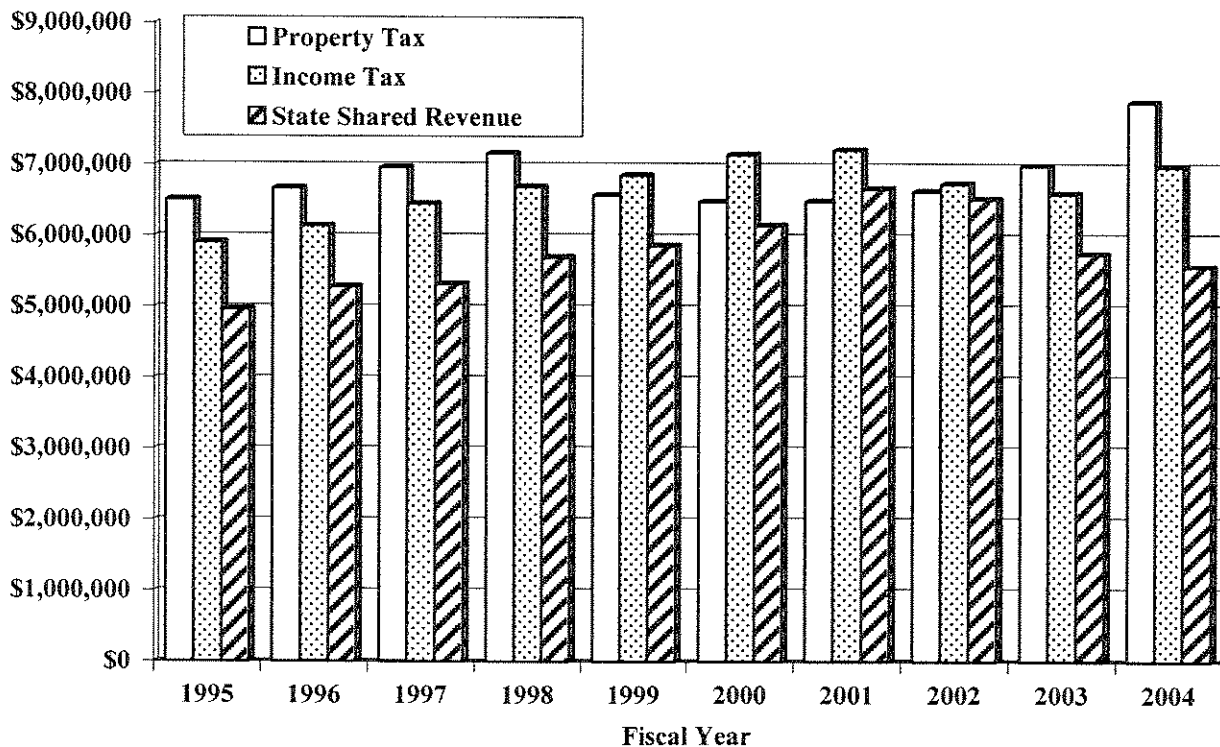
**City of Jackson, Michigan**  
**Governmental Fund Tax Revenues By Source (1)**  
**Last Ten Fiscal Years**

Table 2a

Fiscal Year	Property Tax (2)	Income Tax	State Shared Revenue (3)	Total
1995	\$ 6,506,842	\$ 5,908,100	\$ 4,962,378	\$ 17,377,320
1996	6,668,800	6,137,287	5,282,230	18,088,317
1997	6,962,171	6,446,841	5,319,405	18,728,417
1998	7,160,581	6,690,136	5,694,297	19,545,014
1999	6,572,678	6,852,722	5,860,341	19,285,741
2000	6,483,288	7,148,394	6,147,532	19,779,214
2001	6,488,224	7,214,539	6,669,977	20,372,740
2002	6,632,326	6,739,831	6,523,137	19,895,294
2003	6,993,620	6,602,493	5,743,258	19,339,371
2004	7,895,666	6,984,060	5,566,596	20,446,322

- (1) Includes general, special revenue, debt service and capital project funds.  
(2) Differs from actual levy shown on Table 3 due to method of recognition of delinquent personal property taxes.  
(3) Amounts shown includes only revenue sharing distributions made under the State Revenue Sharing Act of 1971 and by Act 342, Public Acts of Michigan, 1996, which amended that Act.

**Governmental Fund Tax Revenues By Source**  
**Last Ten Fiscal Years**



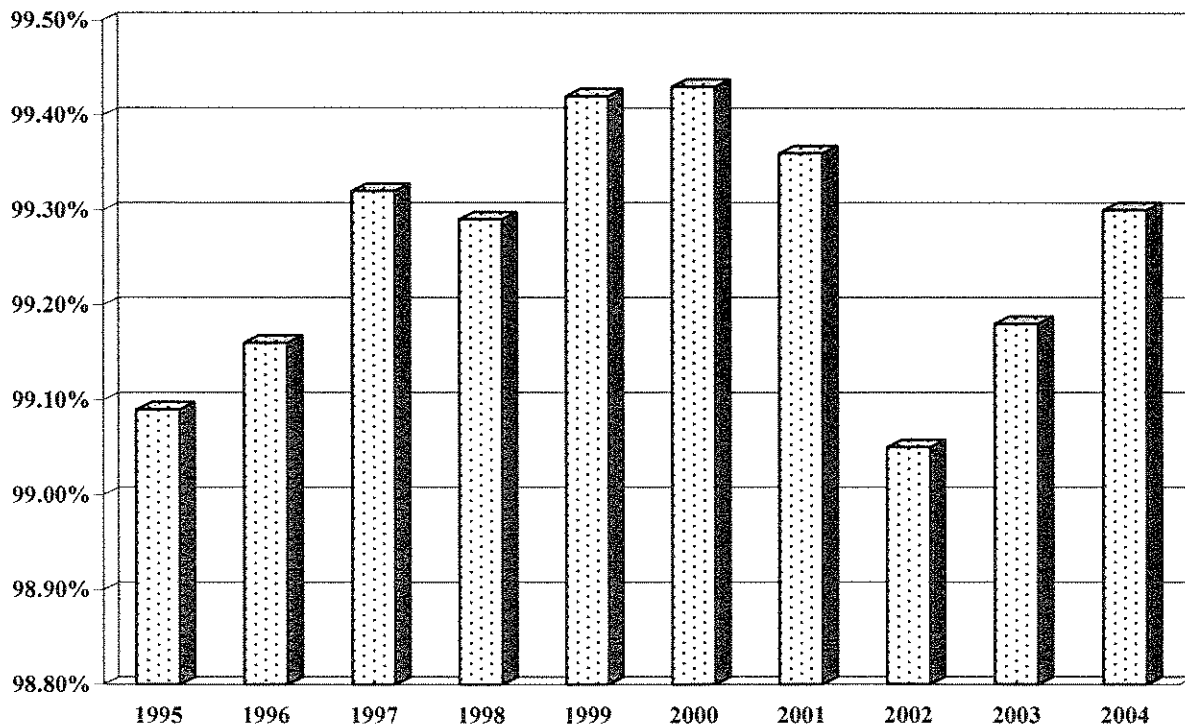
**City of Jackson, Michigan**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Table 3

Fiscal Year(1)	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1995	\$ 6,371,344	\$ 5,807,557	91.15%	\$ 505,765	\$ 6,313,322	99.09%	\$ 58,022	0.91%
1996	6,549,521	6,003,199	91.66%	491,001	6,494,200	99.16%	55,321	0.84%
1997	6,846,937	6,283,903	91.78%	516,659	6,800,562	99.32%	46,375	0.68%
1998	7,007,246	6,478,730	92.46%	479,062	6,957,792	99.29%	49,454	0.71%
1999	6,468,370	5,993,199	92.65%	437,451	6,430,650	99.42%	37,720	0.58%
2000	6,403,803	5,920,634	92.45%	446,418	6,367,052	99.43%	36,751	0.57%
2001	6,411,359	5,939,660	92.64%	430,663	6,370,323	99.36%	41,036	0.64%
2002	6,519,371	6,016,302	92.28%	440,904	6,457,206	99.05%	62,165	0.95%
2003	6,699,761	6,195,766	92.48%	448,880	6,644,646	99.18%	55,115	0.82%
2004	7,760,751	7,239,082	93.28%	467,710	7,706,792	99.30%	53,959	0.70%

(1) Fiscal year tax is collected - 2004 represents July 1, 2003 levy.

**Ratio of Total Tax Collections to Total Tax Levy**  
**Last Ten Fiscal Years**



**City of Jackson, Michigan**  
**Total Assessed/Taxable and Estimated Actual Value of Property (1)**  
**Last Ten & Current Fiscal Years**

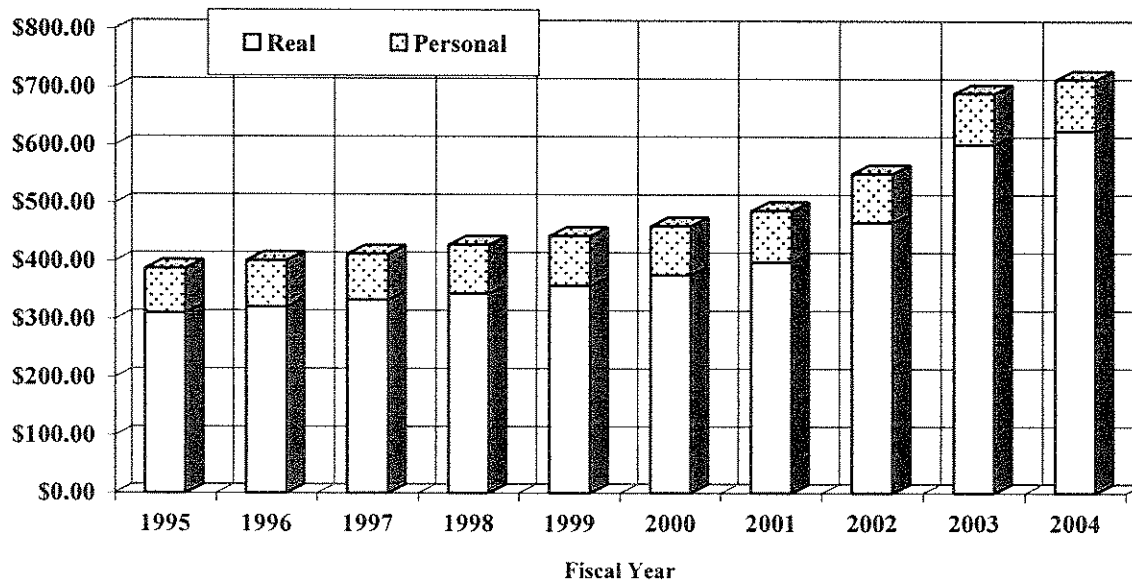
Table 4

For Levy July 1 (2)	Real Property		Personal Property		Total		Ratio of of Total Assessed/ Taxable to Total Estimated Actual Value	Percent Increase in Estimated Actual Value Over Prior Year
	Assessed/ Taxable Value	Estimated Actual Value	Assessed/ Taxable Value	Estimated Actual Value	Assessed/ Taxable Value	Estimated Actual Value		
1995	\$310,366,315	\$655,624,960	\$77,084,200	\$154,168,400	\$387,450,515	\$809,793,360	47.85%	7.11%
1996	320,775,381	701,239,060	80,302,000	160,604,000	401,077,381	861,843,060	46.54%	6.43%
1997	332,955,363	741,186,340	79,260,800	158,521,600	412,216,163	899,707,940	45.82%	4.39%
1998	343,766,378	790,256,400	84,753,350	169,506,600	428,519,728	959,763,000	44.65%	6.67%
1999	357,347,086	872,402,600	86,495,400	172,990,800	443,842,486	1,045,393,400	42.46%	8.92%
2000	376,378,616	958,921,100	84,795,600	169,591,200	461,174,216	1,128,512,300	40.87%	7.95%
2001	399,000,117	1,049,948,200	88,494,800	176,989,600	487,494,917	1,226,937,800	39.73%	8.72%
2002	466,897,355	1,228,464,200	84,886,500	169,773,000	551,783,855	1,398,237,200	39.46%	13.96%
2003	601,930,007	1,552,251,300	88,568,100	177,136,200	690,498,107	1,729,387,500	39.93%	23.68%
2004	625,718,543	1,601,121,700	88,893,584	177,797,200	714,612,127	1,778,918,900	40.17%	2.86%

- (1) Ad Valorem assessments only; amounts do not include Act 189 or industrial and commercial facility tax assessments/taxable values. The term "taxable value" rather than "assessed value" is used in determining tax liability effective 7/1/94.
- (2) The July 1, 2003 levy is for fiscal year 2004. The July 1, 2004 levy is for the current fiscal year ending June 30, 2005.
- (3) Above Ad Valorem assessments include those properties located within Renaissance Zones and which are currently subject only to millage levied for bonded indebtedness.

**Real and Personal Property - Assessed/Taxable Values**  
**Last Ten & Current Fiscal Years**

Millions



**City of Jackson, Michigan**  
**Property Tax Rates (1)**  
**Direct and Overlapping Governments**  
**Last Ten & Current Fiscal Years**

Table 5

Levied July 1 (2)	City of Jackson, Michigan						County of Jackson, Michigan			
	Operating Millage	Public Improve- ment	Parking Garage & Sewer Debt	City Hall Debt	Act 345 Pension	Total City Millage	Operating Millage	Jail Debt	Senior Services/ MCF	District Library
1995	6.7900	1.9400	2.2460	---	5.3250	16.3010	5.6198	---	0.1500	0.9445
1996	6.7900	1.9400	2.1770	---	5.4330	16.3400	5.6198	---	0.4723	0.9445
1997	6.7900	1.9400	2.1100	---	5.4670	16.3070	5.6198	---	0.1500	0.9445
1998	7.0000	2.0000	---	---	5.3000	14.3000	5.5626	---	0.1485	0.9349
1999	6.9482	1.9852	---	---	4.5800	13.5134	5.4819	---	0.1500	0.9208
2000	6.8620	1.9605	---	---	4.2000	13.0225	5.4194	---	0.1482	0.9102
2001	6.8057	1.9444	---	---	3.8500	12.6001	5.3559	---	0.1465	0.8995
2002	6.7192	1.9197	---	---	3.7000	12.3389	5.2734	0.5000	0.1442	0.8856
2003	6.7192	1.9197	---	---	4.1500	12.7889	5.2022	0.4932	0.1422	0.8736
2004	6.7192	1.9197	---	0.7400	4.5000	13.8789	5.1709	0.4902	0.3913	0.8682

Levied July 1 (2)	Jackson Public Schools			Jackson Transit Authority	Jackson Intermediate School District		Jackson Community College		Totals	
	Operating Millage (3)	S.E.T.	Debt Service	Operating Millage	Operating Millage	Special & Voc. Ed.	Operating Millage	Debt Service	Home- stead	Non Home- stead
1995	18.0000	6.0000	---	1.0000	0.3767	7.5508	1.2562	0.1100	39.3090	57.3090
1996	18.0000	6.0000	---	1.0000	0.3767	7.5508	1.2492	0.1100	39.6633	57.6633
1997	18.0000	6.0000	---	1.0000	0.3747	8.5107	1.2490	0.1100	40.2657	58.2657
1998	18.0000	6.0000	---	0.5000	0.3730	8.4715	1.2446	0.0500	37.5851	55.5851
1999	17.9298	6.0000	1.1300	0.9926	0.3677	8.3519	1.2266	---	38.1349	56.0647
2000	17.8114	6.0000	1.9500	0.9802	0.3610	8.2014	1.2131	---	38.2060	56.0174
2001	17.6047	6.0000	1.9500	0.9721	0.3580	8.1348	1.1980	---	37.6149	55.2196
2002	17.8820	6.0000	1.9500	0.9597	0.3525	7.0692	1.1798	---	36.6533	54.5353
2003	17.8820	5.0000	1.9500	0.9597	0.3477	7.8730	1.1638	---	36.7943	54.6763
2004	17.8820	6.0000	2.4500	0.9597	0.3455	7.8249	1.1565	---	39.5361	57.4181

- (1) Does not include 2 mills for Downtown Development Authority which is levied on the Central Business District only.
- (2) The July 1, 2003 levy is for fiscal year 2004. The July 1, 2004 levy is for the current fiscal year ending June 30, 2005.
- (3) Passage of Proposal A in 1994 reduced operating millage for Jackson Public Schools to 18 mills for non-homestead properties with homestead properties exempt. Both homestead and non-homestead properties are subject to the State Education Tax (S.E.T.) of 6 mills as well as the debt service levy (reduced to 5 mills for 2003 only under PA 244 of 2002). Homestead is defined as a dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner.

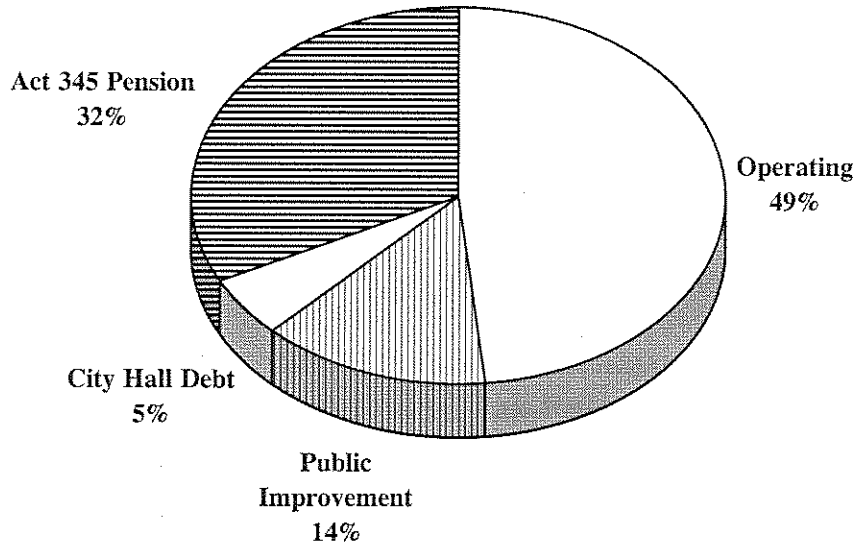
Note: Rates are per \$1,000 of assessed/taxable valuation.

**City of Jackson, Michigan  
Property Tax Rates  
Direct and Overlapping Governments  
Levied July 1, 2004**

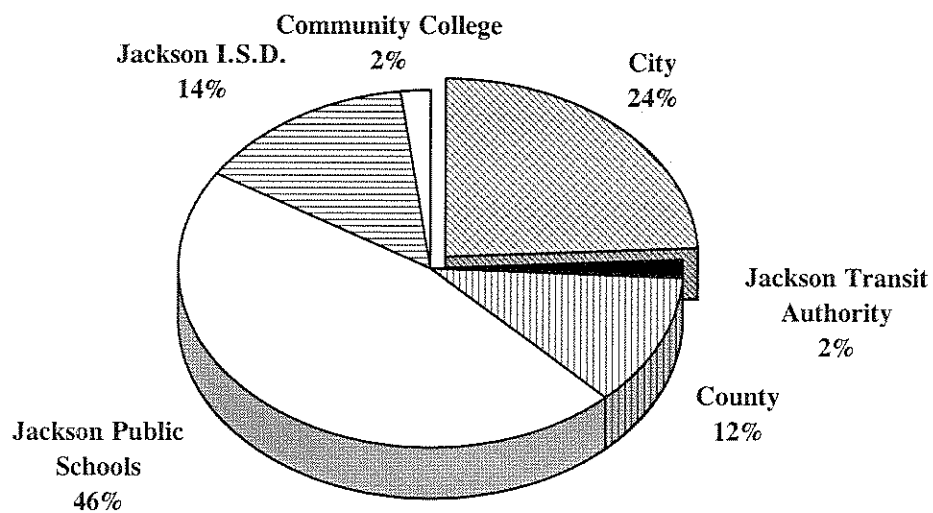
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Table 5a

**City of Jackson (Direct) Tax Rates**



**Direct and Overlapping Governments (Non-Homestead)**





**City of Jackson, Michigan**  
**Principal Taxpayers and Major Employers**  
**June 30, 2004**

Table 6

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation (1)</u>
Consumers Energy	Electrical and Gas Utility	\$ 55,050,397	7.70%
Wolverine Technologies, Inc.	Plastic Extrusion (Home Siding, etc...)	7,528,338	1.05%
Ramco (Jackson Crossing)	Property Rental/Management	7,402,174	1.04%
Alro Steel	Industrial Steel Products & Supplies	5,927,390	0.83%
Home Depot	Retail Sales	5,703,100	0.80%
Edscha Jackson Group	Automobile Component Sales	5,615,533	0.79%
Foote Hospital & Health Center	Health Care	4,115,072	0.58%
Eaton - Aeroquip Corporation	Aerospace, Industrial and Automobile	3,413,710	0.48%
GIP M/U/M LLC	Property Rental/Management	3,339,276	0.47%
Dayton Hudson (Target Store)	Retail Sales	3,063,863	0.43%
		<u>\$ 101,158,853</u>	<u>14.17%</u>

(1) Total Ad Valorem Taxable Valuation as of June 30, 2004 = \$ 714,612,127 (valuation for fiscal year 2005).

(2) Kinder Morgan Energy (KME), an electric power generation company, has the largest taxable value of \$ 125,302,200, or 17.53% of the 2004 ad valorem taxable value. KME is located in a Renaissance Zone and is not subject to millage levies with the exception of those levied for bonded indebtedness. The City anticipates the KME taxable value to be subject to all millage levies effective July 1, 2012.

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees (3)</u>
W. A. Foote Health System	Hospital	3,100
Consumers Energy	Electrical and Gas Utility	1,700
City and County Government	Local Government	* 945
Eaton - Aeroquip Corporation	Aerospace, Industrial and Automobile	580
TRW, Inc.	Automobile Component Sales (Brakes)	* 405
Wolverine Technologies, Inc.	Plastic Extrusion (Home Siding, etc...)	332
Great Lakes Home Health & Hospice	Home Health/Hospice	270
Melling Automotive Products	Automobile Component Sales (Oil Pumps)	* 263
Alro Steel	Steel Service Center	259
Anesthesia Associates	Medical Billing	250

(3) As of July, 2003. Source: Enterprise Group

\* Total employees located with the County

**City of Jackson, Michigan**  
**Special Assessment Billings and Collections**  
**Last Ten Fiscal Years**

Table 7

<u>Fiscal Year</u>	<u>Billings</u>	<u>Collections</u>	<u>Transfers</u>	<u>(1) Receivable</u>
1995	\$ 1,036,680	\$ 401,558	\$ -	\$ 1,906,331
1996	596,705	518,089	-	1,984,947
1997	7,999	518,471	-	1,474,475
1998	287,704	435,692	-	1,326,487
1999	583,122	648,179	-	1,261,430
2000	125,219	467,692	-	918,957
2001	501,432	543,257	-	877,132
2002	458,359	526,075	-	809,416
2003	514,746	414,569	-	909,593
2004	389,265	530,195	-	768,663

(1) Excludes Water Fund (enterprise fund) balances for delinquent water and sewer utility billings.

**City of Jackson, Michigan**  
**Schedule of Legal Debt Margin**  
**June 30, 2004**

Table 8

State Equalized Valuation at December 31, 2003 (for taxes levied by the  
City on July 1, 2004)

\$ 903,223,700

**Debt Limit (1)**

**\$ 90,322,370**

Total debt:

Bonded debt

\$ 54,303,577

Other long-term debt

3,026,000

57,329,577

Less Debt Excluded from Charter Limit:

Michigan Transportation Debt:

1998 Michigan Transportation Fund Bonds

( 460,000)

2003 Michigan Transportation Fund Bonds

( 1,750,000)

Michigan Economic Development Corporation:

Michigan Urban Land Assembly Loan

( 916,000)

Housing and Urban Development:

Section 108 Loan

( 1,090,000)

Special Assessment Bonds:

1996 Special Assessment Bonds

( 85,000)

Revenue Bonds:

1996 Sanitary Sewage Disposal System Revenue Bonds

( 525,000)

2000 Sanitary Sewage Disposal System Revenue Bonds

( 925,000)

1999 Water Revenue Bonds

( 3,080,000)

( 8,831,000)

Less Amount in Debt Service Funds (Non Excluded Debt)

( 1,399,675)

47,098,902

**Legal Debt Margin**

**\$ 43,223,468**

(1) Ten percent (10%) of state equalized valuation.

**City of Jackson, Michigan**  
**Computation of Direct and Overlapping Bonded Debt**  
**General Obligation Bonds**  
**June 30, 2004**

Table 9

	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
<b>City Direct Debt:</b>			
Unlimited Tax General Obligation Debt:			
City Hall Bonds	\$ 10,000,000	\$ 10,000,000	\$ -
Limited Tax General Obligation Debt:			
Downtown Development Authority Bonds	17,803,577	17,803,577	-
Brownfield Redevelopment Authority Bonds	18,500,000	18,500,000	-
Special Assessment Bonds	85,000	-	85,000
Building Authority Bonds	1,175,000	-	1,175,000
Michigan Transportation Fund Bonds	2,210,000	2,210,000	-
Installment Purchase Contracts	1,020,000	-	1,020,000
Revenue Bonds:			
Water Revenue Bonds	3,080,000	3,080,000	-
Sewer Revenue Bonds	1,450,000	1,450,000	-
Other:			
Michigan Urban Land Assembly Loan	916,000	916,000	-
Section 108 Loan (HUD)	1,090,000	1,090,000	-
	<u>\$ 57,329,577</u>	<u>\$ 55,049,577</u>	<u>\$ 2,280,000</u>
<b>City Overlapping Debt: (1)</b>			
	<u>Gross</u>	<u>City Share</u>	
Jackson School District	\$ 22,915,000	57.67%	\$ 13,215,081
East Jackson School District	7,978,825	0.12%	9,575
Northwest School District	2,265,000	0.23%	5,210
Michigan Center School District	-	2.52%	-
Total - School Districts			<u>13,229,866</u>
Jackson County at Large	28,300,000	19.20%	5,433,600
Jackson Community College	2,630,000	19.20%	504,960
Jackson County Intermediate School District	-	18.90%	-
			<u>19,168,426</u>
<b>Net City Direct &amp; Overlapping Debt:</b>			<u><u>\$ 21,448,426</u></u>
<b>Per Capita Debt: (36,218 population):</b>			
Net Direct Debt			\$ 62.95
Net Overlapping Debt			<u>529.25</u>
Total Net Debt			<u><u>\$ 592.20</u></u>
<b>Percent of Taxable Valuation: (\$ 714,612,127 Taxable Valuation at 6/30/04):</b>			
Net Direct Debt			0.32%
Net Overlapping Debt			<u>2.68%</u>
Total Net Debt			<u><u>3.00%</u></u>

(1) Source: Municipal Advisory Council of Michigan

City of Jackson, Michigan

Table 10

**Ratio of Net General Obligation Bonded Debt  
To Assessed/Taxable Value and Net General Obligation Bonded Debt Per Capita  
Last Ten Fiscal Years**

Fiscal Year	Population	Assessed/ Taxable Value (1)	Gross Bonded Debt (2)	Less Debt Service Fund (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed/ Taxable Value	Net Bonded Debt per Capita
* 1995	37,425	\$ 378,012,165	\$ 580,000	\$ 6,909	\$ 573,091	0.15%	\$ 15
* 1996	37,425	387,450,515	450,000	6,402	443,598	0.11%	12
* 1997	37,425	401,077,381	295,000	8,212	286,788	0.07%	8
* 1998	37,425	412,216,163	145,000	150,355	(5,355)	0.00%	-
* 1999	37,425	428,519,728	-	-	-	0.00%	-
* 2000	37,425	443,842,486	-	-	-	0.00%	-
2001	36,218	461,174,216	-	-	-	0.00%	-
* 2002	36,218	487,494,917	-	-	-	0.00%	-
* 2003	36,218	551,783,855	-	-	-	0.00%	-
* 2004	36,218	690,498,107	10,000,000	102,809	9,897,191	1.43%	273

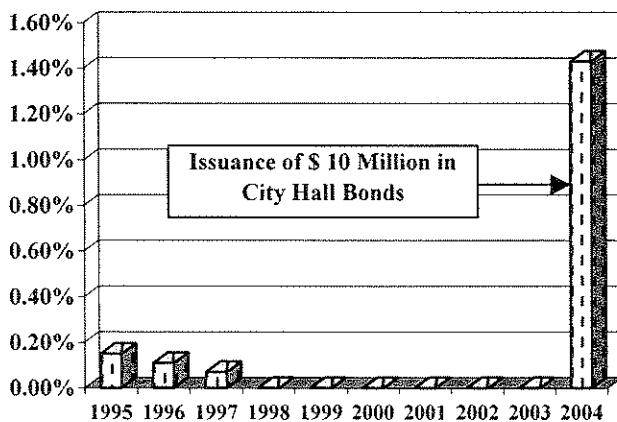
1) Fiscal year of assessed/taxable value - 2004 represents assessed/taxable value at July 1, 2003.

2) Amount includes only general obligation bonded debt supported through general property taxes.

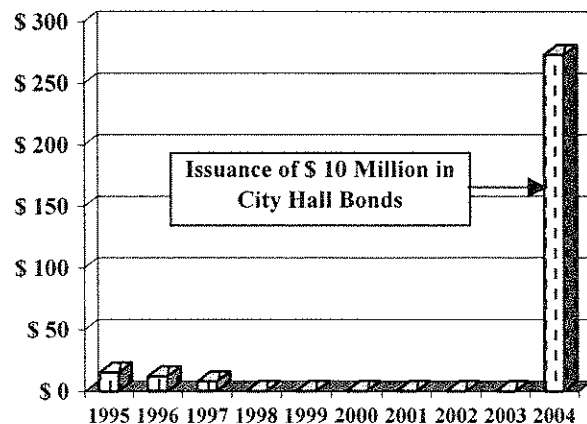
3) Amount available for repayment of Gross Bonded Debt (2) in debt service funds.

\* Population for these years is not available; used earliest preceding year's actual.

**Net G. O. Bonded Debt  
to Assessed/Taxable Value**



**Net Bonded Debt  
Per Capita**



**City of Jackson, Michigan**  
**Ratio of Annual Debt Service Expenditures**  
**For General Obligation Bonded Debt (1)**  
**to Total Governmental Fund Expenditures**  
**Last Ten Fiscal Years**

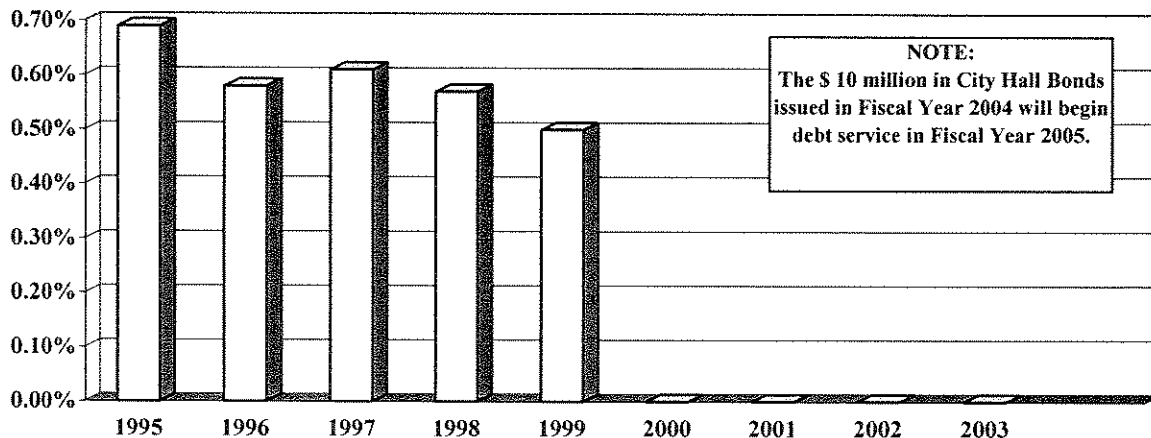
Table 11

Fiscal Year	Principal	Interest, Fiscal Charges and Other	Total Debt Service	(2) Total Governmental Fund Expenditures	Ratio of Debt Service To Total Governmental Fund Expenditures
1995	\$ 130,000	\$ 43,967	\$ 173,967	\$ 25,353,586	0.69%
1996	130,000	36,420	166,420	28,823,893	0.58%
1997	155,000	28,093	183,093	30,135,098	0.61%
1998	150,000	18,564	168,564	29,354,994	0.57%
1999	145,000	9,595	154,595	31,134,909	0.50%
2000	0	0	0	31,271,783	0.00%
2001	0	0	0	47,144,988	0.00%
2002	0	0	0	31,541,163	0.00%
2003	0	0	0	49,816,930	0.00%
2004	0	0	0	36,625,780	0.00%

1) Includes only general obligation debt supported through general property taxes.

2) Includes general, special revenue, debt service, capital project and permanent funds.

**Ratio of Debt Service**  
**to Total Government Fund Expenditures**  
**Last Ten Fiscal Years**



**City of Jackson, Michigan**  
**Revenue Bond Coverage**  
**Sewer Fund**  
**Last Ten Fiscal Years**

Table 12

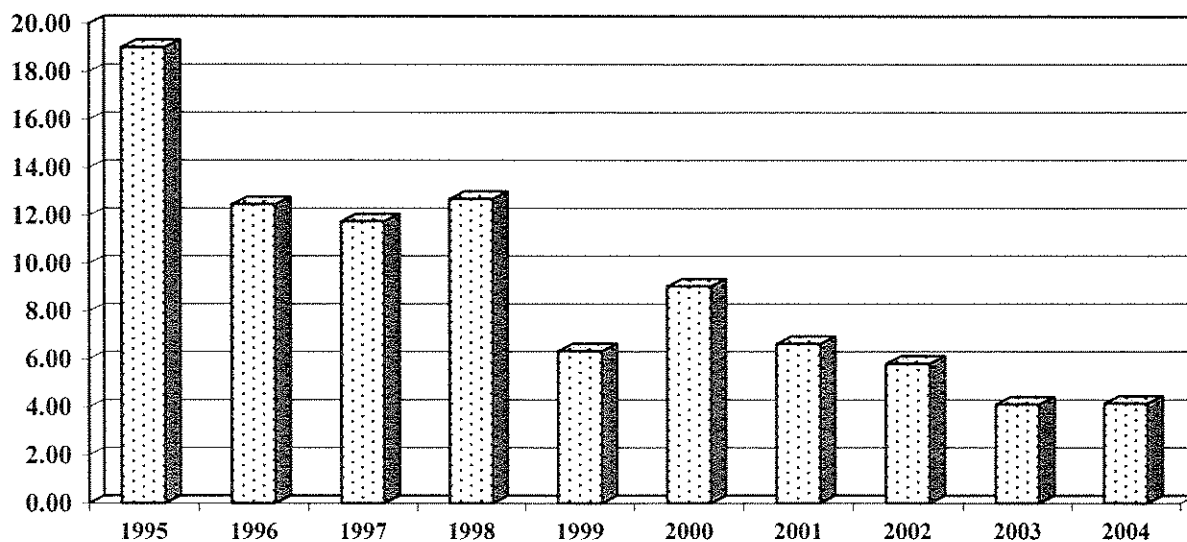
Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest and Fiscal Charges	Total	
1995	\$ 4,273,592	\$ 2,549,641	\$ 1,723,951	\$ 45,000	\$ 45,650	\$ 90,650	19.02
1996	3,671,548	2,497,770	1,173,778	50,000	44,100	94,100	12.47
1997	4,257,543	2,597,810	1,659,733	75,000	66,245	141,245	11.75
1998	5,415,049	2,815,498	2,599,551	120,000	84,650	204,650	12.70
1999	4,460,571	3,012,590	1,447,981	150,000	78,625	228,625	6.33
2000	4,533,600	2,526,972	2,006,628	150,000	72,050	222,050	9.04
2001	4,737,832	2,814,061	1,923,771	200,000	89,853	289,853	6.64
2002	4,957,422	3,072,897	1,884,525	220,000	104,537	324,537	5.81
2003	4,799,168	3,389,795	1,409,373	250,000	93,256	343,256	4.11
2004	4,594,024	3,121,609	1,472,415	275,000	80,131	355,131	4.15

(1) Total revenues including interest.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal, interest and fiscal charges of revenue bonds only. It does not include general obligation debt reported in debt service funds to which operating transfers are made or debt defeasance transactions.

**Revenue Bond Coverage**  
**Last Ten Fiscal Years**



**City of Jackson, Michigan**  
**Revenue Bond Coverage**  
**Water Fund**  
**Last Ten Fiscal Years**

Table 13

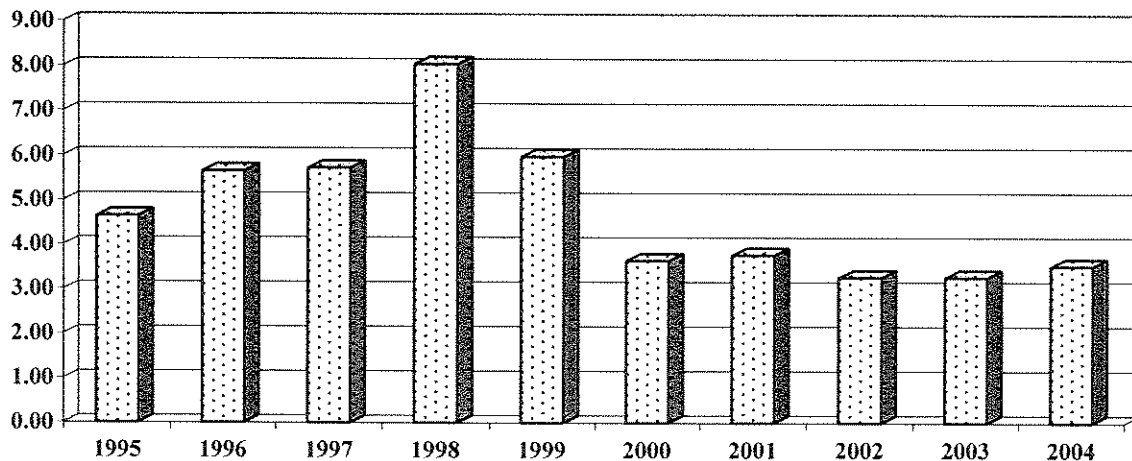
Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest and Fiscal Charges	Total	
1995	\$ 4,285,285	\$ 2,933,506	\$ 1,351,779	\$ 150,000	\$ 141,188	\$ 291,188	4.64
1996	4,819,864	3,236,361	1,583,503	150,000	130,274	280,274	5.65
1997	4,975,763	3,416,228	1,559,535	150,000	122,938	272,938	5.71
1998	5,784,694	3,694,653	2,090,041	150,000	110,062	260,062	8.04
1999	5,607,614	3,501,750	2,105,864	175,000	177,650	352,650	5.97
2000	5,965,031	3,950,553	2,014,478	325,000	228,789	553,789	3.64
2001	5,937,137	3,793,227	2,143,910	375,000	194,055	569,055	3.77
2002	5,998,507	4,196,649	1,801,858	370,000	180,392	550,392	3.27
2003	6,242,449	4,487,148	1,755,301	370,000	166,403	536,403	3.27
2004	6,230,681	4,288,334	1,942,347	400,000	152,343	552,343	3.52

(1) Total revenues including interest.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal, interest and fiscal charges of revenue bonds only. It does not include general obligation debt reported in debt service funds to which operating transfers are made or debt defeasance transactions.

**Revenue Bond Coverage**  
**Last Ten Fiscal Years**





**City of Jackson, Michigan**  
**Employment Statistics**  
**Last Ten Fiscal Years**

Table 14

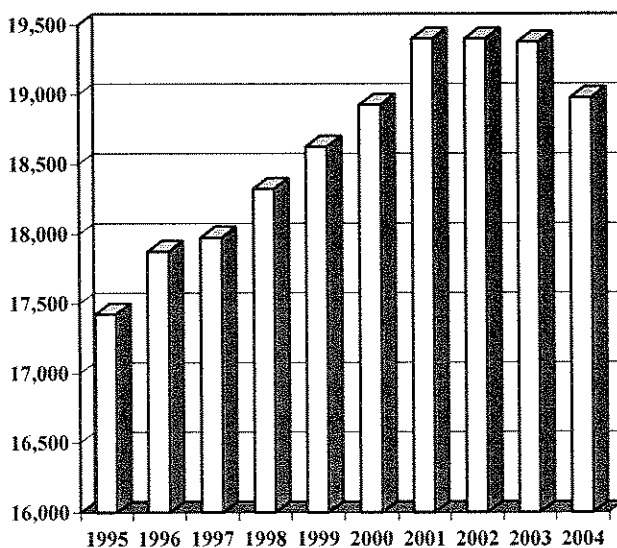
Fiscal Year	(1) Population	(2) Labor Force	(2) Employment	(2) Unemployment	(2) Unemployment Rate
1995	37,425	17,425	16,000	1,425	8.2 %
1996	37,425	17,875	16,400	1,450	8.1 %
1997	37,425	17,975	16,675	1,300	7.2 %
1998	37,425	18,325	17,350	1,000	5.5 %
1999	37,425	18,625	17,600	1,025	5.5 %
2000	36,218	18,925	17,975	950	5.0 %
2001	36,218	19,400	17,850	1,550	8.0 %
2002	36,218	19,400	17,550	1,825	9.4 %
2003	36,218	19,375	17,075	2,300	11.9 %
2004	36,218	18,975	17,100	1,850	9.7 %

All labor force statistics are as of June of the fiscal year shown, i.e. fiscal year 2004 represents June, 2004.

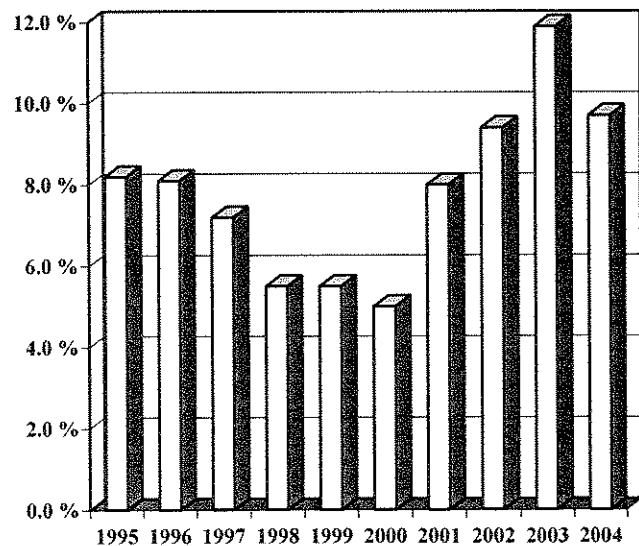
(1) Population shown is based on the most recent preceding year's actual.

(2) Source: Michigan Department of Career Development - Office of Labor Market Information.

**Labor Force**



**Unemployment Rate**



**City of Jackson, Michigan**  
**Property Value, Construction and Bank Deposits**  
**Last Ten & Current Fiscal Years**

Table 15

Fiscal Year (1)	Real Property Value (2)			Total	(3) Commercial Construction Value	(3) Residential Construction Value	(4) FDIC Bank Deposits
	Commercial	Residential	Industrial				
1995	\$ 170,742,130	\$ 380,375,100	\$ 54,758,900	\$ 605,876,130	\$ 9,146,510	\$ 1,330,446	\$ 892,371,000
1996	171,132,260	426,823,000	57,669,700	655,624,960	12,877,014	570,300	958,161,000
1997	176,774,960	465,805,700	58,658,400	701,239,060	12,281,125	1,588,471	1,018,890,000
1998	194,377,600	486,555,200	60,253,540	741,186,340	12,958,775	1,152,400	1,020,375,000
1999	203,167,900	526,180,700	60,907,800	790,256,400	4,287,000	1,972,000	1,035,424,000
2000	225,127,400	581,086,600	66,188,600	872,402,600	9,132,550	2,267,000	1,068,981,000
2001	256,600,900	628,608,100	73,712,100	958,921,100	65,238,439	1,746,285	1,055,223,000
2002	315,855,800	654,605,400	79,487,000	1,049,948,200	32,143,450	2,597,525	1,733,598,000
2003	343,127,500	717,994,200	167,342,500	1,228,464,200	10,580,129	4,088,552	1,132,821,000
2004	431,047,200	779,403,700	341,800,400	1,552,251,300	15,706,115	5,568,794	--

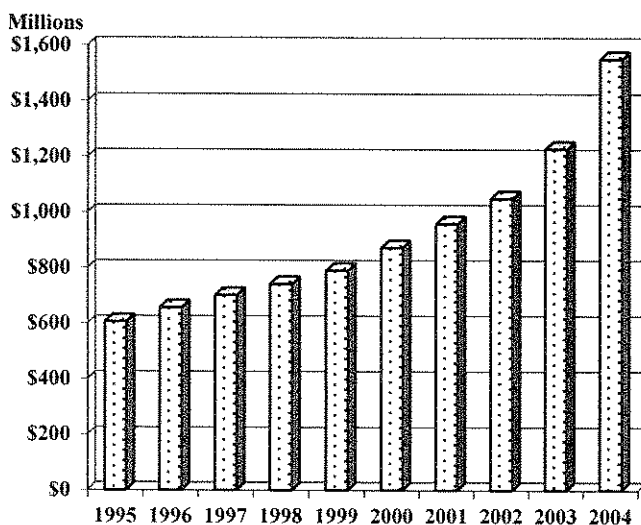
(1) Fiscal year of levy; 2004 represents July 1, 2003 levy; 2003 represents July 1, 2002 levy.

(2) From City Assessor - Industrial included in order to reflect total, which is estimated actual value from Table 4.

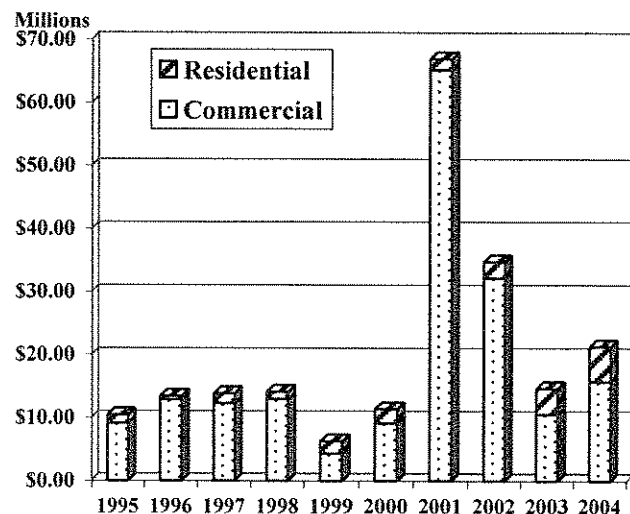
(3) From City Building Inspection Department records.

(4) Source - FDIC Institution Office Deposits. All data shown is as of June 30th that year. Data for 2004 not available at the time of audit. Amounts are FDIC deposits only (excludes credit unions, etc...).

**Real Property Values**  
**Last Ten & Current Fiscal Years**



**Commercial & Residential**  
**Construction Values**  
**Last Ten Fiscal Years**



**City of Jackson, Michigan**  
**Miscellaneous Statistics**  
**June 30, 2004**

Table 16

---

Date Founded	1829
Date of Incorporation	1857
Form of Government	Council / Manager
Number of employees (except police and fire)	177
Area in square miles	11
City of Jackson facilities and services:	
Miles of streets	165
Number of street lights	2,335
Number of traffic signals	82
Culture and Recreation:	
Community centers	2
Parks	23
Park acreage	636
Inline Skate Rink / Skate Park	1 of each
Golf courses (full size and mini-golf)	1 of each
Swimming pools	2
Tennis courts	14
Fire Protection:	
Number of stations	3
Number of fire personnel and officers	43
Number of calls answered	4,105
Number of inspections conducted	325
Police Protection:	
Number of stations	1
Number of police personnel and officers	101
Number of patrol units	41
Number of law violations:	
Physical arrests	3,513
Traffic violations	15,812
Parking violations	5,782
Sewer System:	
Miles of sanitary sewers	160
Miles of storm sewers	108
Number of treatment plants	1
Number of service connections	12,426
Daily average treatment in gallons	12.9 million
Maximum daily capacity of treatment plant in gallons	19 million
Townships Services via Bulk Metering	5
Water System:	
Miles of water mains	232
Number of service connections	15,352
Number of fire hydrants	2,030
Daily average consumption in gallons	5.53 million
Maximum daily capacity of plant in gallons	24 million
Facilities and services not included in the reporting entity:	
Education:	
Number of elementary schools	10
Number of elementary school instructors	148
Number of secondary schools	4
Number of secondary school instructors	302
Number of community colleges	1
Hospitals:	
Number of hospitals	1
Number of patient beds	411

**City of Jackson, Michigan**  
**State Equalized Valuation/Taxable Valuation**  
**Fiscal Years Ended June 30, 2001 Through 2005**

Table 17

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Fiscal Year Ended June 30	State Equalized Valuation (1)	Ad Valorem Taxable Value	Total Taxable Valuation (1)
1999	2000	2001	\$ 579,711,579	\$ 461,174,216	\$ 476,629,645
2000	2001	2002	629,161,951	487,494,917	503,187,968
2001	2002	2003	715,901,025	551,783,855	568,566,280
2002	2003	2004	880,648,825	690,498,107	706,453,182
2003	2004	2005	903,223,700	714,612,127	728,145,677

Per Capita 2004 Ad Valorem Taxable Valuation is \$ 19,731 and Per Capita 2004 Total Taxable Valuation is \$ 20,105 based on the City's 2000 Census of 36,218.

(1) Includes Tax Abatements under Act 198 and Renaissance Zones.

**Breakdown of Taxable Value by Use and Class**

	Year of State Equalization and Tax Levy				
	2000	2001	2002	2003	2004
<b>Use:</b>					
Commercial	27.66%	27.81%	26.67%	27.30%	27.18%
Industrial	22.16%	21.85%	25.74%	31.50%	30.72%
Residential	50.18%	50.34%	47.59%	41.20%	42.10%
	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Class:</b>					
Real	78.97%	79.29%	82.33%	87.20%	87.56%
Personal	21.03%	20.71%	17.67%	12.80%	12.44%
	100.00%	100.00%	100.00%	100.00%	100.00%

**City of Jackson, Michigan**  
**Water Supply System**  
**Supplemental Disclosure Information**  
**Last Five Fiscal Years**

Table 18

	Fiscal Year Ended June 30				
	2000	2001	2002	2003	2004
<b><u>Water Pumped vs. Water Sold: (in million gallons)</u></b>					
Pumped	2,705.1	2,519.4	2,380.2	2,521.7	2,389.0
Sold	2,251.8	2,091.1	2,045.9	2,203.7	2,018.2
Sold as a % of Pumped	83.24%	83.00%	85.95%	87.39%	84.48%
<b><u>Number of Customers:</u></b>					
Residential	11,966	12,343	12,502	12,573	12,545
Commercial	1,702	1,762	1,766	1,771	1,814
Industrial	204	205	183	202	191
Total	13,872	14,310	14,451	14,546	14,550
<b><u>Percent of Water Consumption by Category:</u></b>					
Residential	35.02%	34.89%	39.14%	37.23%	39.76%
Commercial	35.05%	36.94%	39.46%	38.15%	40.54%
Industrial	29.93%	28.17%	21.40%	24.62%	19.70%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
<b><u>History of Water Rates</u></b> (average consumption - 22 HCF / average 5/8 inch meter)					
Metered per quarter	\$ 50.30	\$ 51.77	\$ 53.32	\$ 54.90	\$ 56.37
% Change (in average consumption)	4.03%	2.92%	2.99%	2.96%	2.68%
<b><u>Water Supply System Annual Revenues:</u></b>					
Metered revenue	\$ 5,326,585	\$ 5,354,301	\$ 5,494,186	\$ 5,806,234	\$ 5,900,474
% Increase (Decrease)	-0.44%	0.52%	2.61%	5.68%	1.62%
<b><u>Water Supply System Revenues By User Class:</u></b>					
Residential	\$ 2,523,607	\$ 2,564,584	\$ 2,752,020	\$ 2,813,808	\$ 2,993,171
Commercial	1,893,145	1,979,516	2,078,886	2,202,976	2,224,591
Industrial	879,234	810,201	674,502	789,450	682,712
Sewer - Billing & Collection Charges	147,650	167,653	167,709	180,828	197,516
Total	\$ 5,443,636	\$ 5,521,954	\$ 5,673,117	\$ 5,987,062	\$ 6,097,990
<b><u>Water Supply Revenues By User Class as a % of Total Revenues:</u></b>					
Residential	46.36%	46.44%	48.51%	47.00%	49.08%
Commercial	34.78%	35.85%	36.64%	36.80%	36.48%
Industrial	16.15%	14.67%	11.89%	13.19%	11.20%
Sewer - Billing & Collection Charges	2.71%	3.04%	2.96%	3.01%	3.24%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

**City of Jackson, Michigan**  
**Water Supply System**  
**Supplemental Disclosure Information**  
**Ten Largest Water Customers - By Usage**  
**For the Fiscal Year Ended June 30, 2004**

Table 18a

<u>Customer</u>	(1) <u>Usage</u>	(2) <u>% of Total</u>	<u>Revenue</u>	(3) <u>% of Total</u>
Wolverine Technologies	107,620	3.99%	\$ 96,438	1.58%
Foote Hospital, Inc.	105,322	3.90%	100,803	1.65%
** Eaton Aeroquip Corp.	72,096	2.67%	79,853	1.31%
Commonwealth Commerce Center	62,208	2.31%	56,677	0.93%
Kinder Morgan Energy	58,574	2.17%	63,620	1.04%
Elm Plating	48,130	1.78%	57,268	0.94%
* Kaneka Texas Corp.	34,420	1.28%	40,220	0.66%
Jackson Tumble Finish	34,090	1.26%	35,357	0.58%
** Consumers Energy	33,966	1.26%	50,033	0.82%
Plastigage Corp.	32,710	1.21%	36,536	0.60%

(1) Unit = Hundred Cubic Feet (HCF)

(2) Based on June 30, 2004 total water consumption of 2,698,089 HCF.

(3) Based on June 30, 2004 Water Supply System Revenues By User Class (Table 18) of \$ 6,097,990.

\* Located outside of City limits.

\*\* Located both inside and outside of City limits

**City of Jackson, Michigan**  
**Supplemental Disclosure Information**  
**Industrial Facilities Tax Roll**

Table 19

---

Year of Transfer To Ad Valorem Tax Roll	(1) I.F.T. S.E.V. Amount
2005	\$ 925,100
2006	431,800
2007	1,206,950
2008	7,981,750
2009	2,452,800
2010	6,864,900
2011	2,011,550
2012	4,985,350
2013	5,063,550
2014	3,819,800
	<u>\$35,743,550</u>

- (1) Represents current assessed value of abated property at time of assessment. Personal property will be subject to depreciation in future years.

**City of Jackson, Michigan**  
**Supplemental Disclosure Information**  
**Tax Increment Revenues, Debt Service and Debt Service Coverage**

Table 20

<b><u>Downtown Development Authority Bonds</u></b>						
<b><u>Fiscal Year</u></b>	<b><u>Tax Increment Revenues</u></b>	<b><u>Debt Service</u></b>	<b><u>(1) Capitalized Interest</u></b>	<b><u>(2) DDA Budgetary Commitments</u></b>	<b><u>Excess Tax Increment Revenues</u></b>	<b><u>Debt Service Coverage</u></b>
2002	\$ 139,394	\$ 562,866	\$ 562,866	\$ 26,922	\$ 112,472	-
2003	250,603	477,905	477,905	27,595	223,008	-
2004	847,306	672,905	-	28,285	146,116	1.26

(1) Capitalized interest was used to pay debt service in both fiscal year 2002 and 2003.

(2) DDA budgetary commitments were existing prior to the sale of the Bonds and are subordinate to the Bonds.

<b><u>Brownfield Redevelopment Authority Bonds</u></b>					
<b><u>Fiscal Year</u></b>	<b><u>Tax Increment Revenues</u></b>	<b><u>Debt Service</u></b>	<b><u>(2) Capitalized Interest</u></b>	<b><u>Excess Tax Increment Revenues</u></b>	<b><u>Debt Service Coverage</u></b>
2002	\$ -	\$ -	\$ -	\$ -	-
2003	119,689	1,087,889	1,087,889	119,689	-
2004	1,171,332	955,220	955,220	1,171,332	-

(1) The Bonds were sold in March, 2002; there was no debt service in fiscal year 2002.

(2) Capitalized interest was used to pay debt service in both fiscal year 2003 and 2004.



# INFORMATION ON SINGLE AUDIT (Compliance Section)

**City of Jackson, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant/ Agreement/ Account Number	Federal CFDA Number	Accrued (Deferred) Revenue July 1, 2003	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue June 30, 2004
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
Passed-Through Region 2 Planning Consortium							
Jackson County Cooperative Alcohol Enforcement		20.601	\$ 1,954	\$ 3,169	\$ 7,784	\$ 6,257	\$ 3,481
Jackson County Seat Belt Enforcement		20.602	1,522	3,595	"	1,522	-
Passed-Through Michigan Department of Transportation							
Streetscape		20.205	-	-	150,910	150,910	-
Total U.S. Department of Transportation			3,476	6,764	158,694	158,689	3,481
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Passed-Through Michigan Department of Career Development and Hillsdale, Michigan Intermediate School District:							
Temporary Assistance for Needy Families-Work First grant		93.558	-	6,435	1,287	-	1,287
Total U.S. Department Health and Human Services			-	6,435	1,287	-	1,287
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Direct Program:							
Local Law Enforcement Block Grant		16.592	(74,606)	66,115	74,606	63,030	(63,030)
Bulletproof Vest Partnership		16.607	-	-	13,322	2,389	10,933
Passed-Through Michigan Community Health Department:							
Byrne Formula grant-Neighborhood Foot and Bike Patrol		16.579	2,521	26,263	22,371	24,892	-
Byrne Formula grant-LAWNET Enhancement Project		16.580	3,464	24,627	32,352	24,840	10,976
Total U.S. Department of Justice			(68,621)	117,005	142,651	115,151	(41,121)

**City of Jackson, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant/ Agreement/ Account Number	Federal CFDA Number	Accrued (Deferred) Revenue July 1, 2003	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue June 30, 2004
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
Passed-Through Region 2 Planning Consortium							
Jackson County Cooperative Alcohol Enforcement		20.601	\$ 1,954	\$ 3,169	\$ 7,784	\$ 6,257	\$ 3,481
Jackson County Seat Belt Enforcement		20.602	1,522	3,595	-	1,522	-
Passed-Through Michigan Department of Transportation							
Streetscape		20.205	-	-	150,910	150,910	-
Total U.S. Department of Transportation			3,476	6,764	158,694	158,689	3,481
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
Passed-Through Michigan Department of Career Development and Hillsdale, Michigan Intermediate School District:							
Temporary Assistance for Needy Families-Work First grant		93.558	-	6,435	1,287	-	1,287
Total U.S. Department Health and Human Services			-	6,435	1,287	-	1,287
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Direct Program:							
Local Law Enforcement Block Grant		16.592	(74,606)	66,115	74,606	63,030	(63,030)
Bulletproof Vest Partnership		16.607	-	-	13,322	2,389	10,933
Passed-Through Michigan Community Health Department:							
Byrne Formula grant-Neighborhood Foot and Bike Patrol		16.579	2,521	26,263	22,371	24,892	-
Byrne Formula grant-LAWNIE Enhancement Project		16.580	3,464	24,627	32,352	24,840	10,976
Total U.S. Department of Justice			(68,621)	117,005	142,651	115,151	(41,121)

**City of Jackson, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2004**

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant/ Agreement/ Account Number	Federal CFDA Number	Accrued (Deferred) Revenue July 1, 2003	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue June 30, 2004
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>							
Direct Program:							
Assistance To Firefighters		83.554	\$ (47,210)	\$ 87,995	\$ 47,210	\$ -	\$ -
Total Federal Emergency Management			(47,210)	87,995	47,210	-	-
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
Direct Programs:							
Major:							
Community Development Block Grant-Entitlement	B97MC260021	14.218	-	69,071	91,589	91,589	-
Community Development Block Grant-Entitlement	B98MC260021	14.218	-	90,458	79,269	79,269	-
Community Development Block Grant-Entitlement	B99MC260021	14.218	-	110,432	65,598	65,598	-
Community Development Block Grant-Entitlement	B00MC260021	14.218	-	555,337	700,443	700,443	-
Community Development Block Grant-Entitlement	B01MC260021	14.218	-	110,628	256,514	256,514	-
Community Development Block Grant-Entitlement	B02MC260021	14.218	482,097	1,515,796	189,613	518,313	153,397
HOME	M95MC260214	14.239	-	-	16,802	16,802	-
HOME	M98MC260214	14.239	-	-	16,571	16,571	-
HOME	M02MC260214	14.239	(49,775)	270,773	261,338	211,563	-
HOME	M03MC260214	14.239	-	-	366,631	398,776	(32,145)
Total U.S. Department of HUD			432,322	2,722,495	2,044,368	2,355,438	121,252

<b>TOTAL FEDERAL PROGRAMS</b>	<b>\$ 319,967</b>	<b>\$ 2,940,694</b>	<b>\$ 2,394,210</b>	<b>\$ 2,629,278</b>	<b>\$ 84,899</b>
-------------------------------	-------------------	---------------------	---------------------	---------------------	------------------

**Reconciliation to Financial Statements:**

Current year expenditures-SEFA, per above  
Federal Highway Funds Administered by Michigan Department of Transportation

\$ 2,394,210
322,097

**Federal revenue per Financial Statements**

<u><u>\$ 2,716,307</u></u>
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## City of Jackson, Michigan

### Note to Schedule Of Expenditures of Federal Awards

For the Year Ended June 30, 2004

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**Note 1      Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson, Michigan, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2      Outstanding loans**

The City has a HUD Section 108 loan with an outstanding balance of \$1,090,000 at June 30, 2004.

**Note 3      Subrecipients**

The City passed through approximately \$236,000 in federal funds to subrecipient agencies.



# REHMANN ROBSON

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 27, 2004

Honorable Mayor and Members of  
the City Council  
City of Jackson, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Jackson* as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the *City of Jackson's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the *City of Jackson's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the *City of Jackson* in a separate letter dated October 27, 2004.

This report is intended solely for the information and use of the audit committee, management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



# REHMANN ROBSON

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 27, 2004

Honorable Mayor and Members of  
the City Council  
City of Jackson, Michigan

### **Compliance**

We have audited the compliance of the *City of Jackson* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The *City of Jackson's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the *City of Jackson's* management. Our responsibility is to express an opinion on the *City of Jackson's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the *City of Jackson's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *City of Jackson* compliance with those requirements.

In our opinion, the *City of Jackson* complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

### **Internal Control Over Compliance**

The management of the *City of Jackson* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the *City of Jackson's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the *City of Jackson* in a separate letter dated October 27, 2004.

This report is intended for the information and use of the audit committee, management, the City Council, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



**City of Jackson, Michigan**

**Schedule of Findings and Questioned Costs**

**For The Year Ended June 30, 2004**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Basic financial statements**

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Reportable condition(s) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes   X   none reported

Noncompliance material to basic financial statements  
noted?

\_\_\_\_\_ yes   X   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Reportable condition(s) identified  
not considered to be material weaknesses?

\_\_\_\_\_ yes   X   none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

\_\_\_\_\_ yes   X   no

# City of Jackson, Michigan

## Schedule of Findings and Questioned Costs For The Year Ended June 30, 2004

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### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant - Entitlement
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>  X  </u> yes <u>      </u> no

### SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

### SECTION IV – PRIOR YEAR FINDINGS

None.

\* \* \* \* \*



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*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

October 27, 2004

Honorable Mayor and Members  
of the City Council  
City of Jackson, Michigan

We have audited the general purpose financial statements of the *City of Jackson, Michigan* for the year ended June 30, 2004, and have issued our report thereon dated October 27, 2004. Professional standards require that we provide you with the following information related to your audit.

### **Our Responsibility Under Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Jackson. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Jackson are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2003-2004. We noted no transactions entered into by the City of Jackson during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of non-infrastructure capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the "Incurred But Not Reported" liability in the Workers Compensation Self Insurance Internal Service Fund is based on a history of claims experience, a method which has been consistently applied.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City of Jackson that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the City of Jackson.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Council Members and management of the City of Jackson and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

# **CITY OF JACKSON, MICHIGAN**

## **ACCOUNTING MEMORANDUM**

**FOR THE YEAR ENDED JUNE 30, 2004**

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During our audit, we became aware of certain issues regarding financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. A separate report dated October 27, 2004 contains our report on the City's basic financial statements. This memorandum does not affect our report dated October 27, 2004, on the basic financial statements of the City of Jackson, Michigan.

We have already discussed these matters with the City's management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the City in implementing the recommendation.

### **A. JOURNAL ENTRIES**

As part of our audit, we examined various journal entries to comply with the new Statement of Auditing Standards (SAS) 99 requirements which is effective for the City's year ended June 30, 2004. We noted that the preparer of the journal entry does not always sign off as the preparer, and that there was not always approval notations evident on the journal entry data form. Although all journal entries in our test had appropriate backup attached to support the entry made, to enhance the internal controls in this area, we recommend that all journal entries be initialed by the preparer, and that all journal entries be initialed by the appropriate party in the Finance Office as an approval procedure.

### **B. CREDIT CARD TRANSACTIONS**

The City uses credit cards for purchases where it is deemed impractical to purchase small items through the purchase order system. There are stringent policies in place which limits the use of the credit card transactions, such as providing for purchases of items of \$1,000, along with monthly maximums. Each month, a "Cardholder Transaction Detail Report" or a log of transactions summarized by the applicable Department is prepared which is the basis for the journal entry to expense the items charged to the proper expense account. In a test of credit card transactions, we noted that all charges had proper support and appeared to be made for City business. We understand that the department heads review the transaction summaries before they are sent to the Finance Department for further processing. However, we noted that the monthly transaction summaries were not always signed by the preparer, nor signed by the department head as their approval, which are procedures required in the City credit card policy.

We recommend that the preparer initial (or sign) and date the transaction summary, and that the department head initial and date the transaction summary, before the charges are processed further into the ledger system by the Finance Department.

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## FINANCE

161 West Michigan Avenue — Jackson, Michigan 49201  
Telephone: (517) 788-4030 — Facsimile: (517) 768-5857

December 9, 2004

**TO:** All Department Heads  
**FROM:** Philip Hones, Finance *Philip Hones*  
**RE:** 2004 AUDIT COMMENTS AND SUGGESTIONS

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Each year as part of the audit process the City's auditors issue an "Accounting Memorandum" which summarizes comments and suggestions for policy and procedural improvements noted during their fieldwork. Attached is a copy of the most recent "Accounting Memorandum" for the year ended June 30, 2004.

Following are the two comments contained in that letter as well as new procedures that should be followed to implement the auditor's suggestions:

### A. INITIAL JOURNAL ENTRIES

Effective immediately, all journal entries that are prepared by any department will need to be signed by the preparer before being sent to the Finance Department for review and entry. The Finance Department, after review, will initial and enter each journal entry. Any journal entries submitted without the preparer's signature will be sent back to that department by the Finance Department.

### B. APPROVAL OF CREDIT CARD TRANSACTIONS

Also effective immediately, the "Cardholder Transaction Detail Report" form (copy attached) that is submitted semi-monthly (along with the journal entry and support documentation for any purchasing card transactions) will need to be 1) signed or initialed by the preparer, and 2) dated and approved by the department head. Any "Cardholder Transaction Detail Reports" submitted without approval will be sent back to that department for approval prior to entry by the Finance Department.

I appreciate your cooperation in implementing these suggestions by the auditors. Please feel free to contact me (768-6384) if you have any questions on the above.

# **CITY OF JACKSON, MICHIGAN**

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**FOR THE YEAR ENDED JUNE 30, 2004**

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# Cardholder Transaction Detail Report

Finance / 00201 / 3

City Of Jackson

Page : 8  
Run Date : 12/02/2004

Account Name Account Number	Transaction Date	Posting Date	MCC	Merchant Name	Merchant Location	Transaction Amount
City Of Jackson Finance 5405-2690-0001-0216	11/17/2004	11/17/2004	0	AUTOMATIC PAYMENT	XX, XX 00000	(\$600.00)
Totals for Account : City Of Jackson Finance	Total Transactions:	1	Charges:	\$0.00	Credits:	(\$600.00)
				Total:		(\$600.00)
Totals for Hierarchy : Finance / 00201 / 3	Total Transactions:	1	Charges:	\$0.00	Credits:	(\$600.00)
				Total:		(\$600.00)

Posting Dates From 11/16/2004 To 11/30/2004